United Nations A/60/161

General Assembly

Distr.: General
25 July 2005

Original: English

Sixtieth session
Item 98 (k) and (t) of the provisional agenda*
General and complete disarmament

Assistance to States for curbing illicit traffic in small arms and collecting them

The illicit trade in small arms and light weapons in all its aspects

Report of the Secretary-General

Summary

The present report summarizes the activities carried out at the national, subregional and regional levels by the Secretary-General, States and organizations in a position to do so, to provide assistance to States for curbing the illicit trade in small arms and light weapons and collecting them.

The report also provides an overview of the implementation by the United Nations and by States of General Assembly resolution 59/86, including the outcome of the work of the Open-ended Working Group to Negotiate an International Instrument to Enable States to Identify and Trace, in a Timely and Reliable Manner, Illicit Small Arms and Light Weapons, as well as the outcome of the broad-based consultations on further steps to enhance international cooperation in preventing, combating and eradicating illicit brokering in small arms and light weapons.

The report also presents an overview of the work of the Second Biennial Meeting of States to Consider the Implementation of the Programme of Action to Prevent, Combat and Eradicate the Illicit Trade in Small Arms and Light Weapons in All Its Aspects, adopted by the United Nations Conference on the Illicit Trade in Small Arms and Light Weapons in All Its Aspects.

The report covers the period July 2004 to July 2005.

* A/60/150.

05-43836 (E) 170805

Contents

		Paragraphs	Page
I.	Introduction	1–3	3
II.	Assistance to States	4–8	3
III.	Implementation of the Programme of Action to Prevent, Combat and Eradicate the Illicit Trade in Small Arms and Light Weapons in All Its Aspects	9–53	4
	A. United Nations system	9–45	4
	B. Regional and subregional levels	46–52	13
	C. National level	53	15
IV.	Conclusions	54–56	15

I. Introduction

1. In its resolution 59/74, the General Assembly, inter alia, requested the Secretary-General and those States and organizations in a position to do so, to provide assistance to States for curbing the illicit traffic in small arms and collecting them. By the same resolution, the General Assembly requested the Secretary-General to continue to consider the matter and to report to the General Assembly at its sixtieth session.

2. In its resolution 59/86, the General Assembly requested the Secretary-General to continue to hold broad-based consultations with all Member States and interested regional and subregional organizations on further steps to enhance international cooperation in preventing, combating and eradicating illicit small arms and light weapons. In the same resolution, the General Assembly requested the Secretary-General to report to it at its sixtieth session on the implementation of the resolution.

3. The present report is submitted pursuant to resolutions 59/74 and 59/86.

II. Assistance to States

4. In response to a request for assistance from the Government of Burundi, an inter-agency fact-finding mission, under the framework of the Coordinating Action on Small Arms (CASA) mechanism, was dispatched to that country from 19 to 25 February 2005. Taking into account the request of the Government of Burundi, within the framework of the United Nations Programme of Action to Prevent, Combat and Eradicate the Illicit Trade in Small Arms and Light Weapons in All Its Aspects, the mission had the following objectives: to determine the state of affairs in the country regarding the problem of illicit small arms and light weapons; to assess what initiatives, if any, had been put in place by the Government; to determine which activities had been supported or put in place by the international community; to examine the functioning and needs of the Burundi national focal point for small arms; and to define how best the United Nations could assist with the problem.

5. Members of the mission met with several Government officials, members of the donor community, the Special Representative of the Secretary-General and other representatives of the United Nations system in Burundi, as well as representatives of NGOs and civil society organizations. Based on information received, the mission concluded that, after more than 10 years of civil war and political instability, Burundi is grappling with the challenges of post-conflict peacebuilding and that the proliferation of illicit weapons in the country is a serious and widespread problem caused by a combination of political, socio-economic and security factors that equally affects the neighbouring countries of Burundi.

6. Another inter-agency fact-finding mission, composed of staff from the Department for Disarmament Affairs, the Department of Economic and Social Affairs, the United Nations Development Programme (UNDP) and the United Nations Office on Drugs and Crime (UNODC), under the framework of CASA, was undertaken in Guinea-Bissau from 7 to 11 March 2005, at the request of the Government of Guinea-Bissau. The mission concluded that the widespread presence of illicit small arms and light weapons in the country poses a serious threat to its political stability and may exacerbate the crime situation in the country. Based on

the findings of the mission, a project proposal was developed, inter alia, to provide support for the establishment of a national commission to coordinate the country policies related to small arms and light weapons and the development of a pilot weapons-collection programme. It is expected that the project will be launched in the fourth trimester of 2005.

7. In addition to the above-mentioned missions, the UNDP, in collaboration with the Department for Disarmament Affairs, organized in May 2005 a series of workshops in six Southern African countries aimed at enhancing their capacity to implement the Programme of Action. The countries were Lesotho, Malawi, Mozambique, Swaziland, Zambia and Zimbabwe. That assistance was provided within the framework of the "Capacity development for reporting to the United Nations Programme of Action on small arms" project, which was jointly developed and implemented by the Department for Disarmament Affairs, UNDP and the United Nations Institute for Disarmament Research (UNIDIR), in collaboration with the Small Arms Survey.

8. In yet another effort aimed at assisting Member States, the Department of Economic and Social Affairs recently launched a peacebuilding portal, an online database containing profiles of African peacebuilding NGOs, including those working on small arms control and disarmament, demobilization and reintegration issues. The database is intended to facilitate access by Member States to information on existing expertise in the aforementioned areas.

III. Implementation of the Programme of Action to Prevent, Combat and Eradicate the Illicit Trade in Small Arms and Light Weapons in All Its Aspects

A. United Nations system

1. General Assembly

Open-ended Working Group to Negotiate an International Instrument to Enable States to Identify and Trace, in a Timely and Reliable Manner, Illicit Small Arms and Light Weapons

9. Pursuant to paragraphs 8 and 9 of resolution 58/241, the Open-ended Working Group held its second substantive session from 24 January to 4 February 2005 and its third and last substantive session from 6 to 17 June 2005. At the conclusion of its work, the Working Group reached agreement on a draft of a politically binding international instrument to enable States to identify and trace, in a timely and reliable manner, illicit small arms and light weapons. The draft instrument will be submitted to the General Assembly at its sixtieth session for adoption.

10. The instrument contains a number of provisions outlining requirements for the marking of small arms and light weapons, record-keeping and cooperation in tracing. Under those provisions, States would commit themselves, inter alia, to: marking all small arms and light weapons at the time of their manufacture; taking all necessary measures to ensure that all small arms and light weapons in the possession of Government armed and security forces for their own use are duly marked; ensuring that accurate and comprehensive records are established for all

marked small arms and light weapons within their territory; and providing prompt, timely and reliable responses to tracing requests made by other States.

11. The instrument also contains provisions for follow-up by which, among other things, States would commit themselves to reporting on a biennial basis to the Secretary-General on their implementation of the instrument. They also agreed to meet biennially to consider the reports submitted to the Secretary-General.

Broad-based consultations on further steps to enhance international cooperation in preventing, combating and eradicating illicit brokering in small arms and light weapons

12. Pursuant to paragraph 5 of General Assembly resolution 59/86, the Department for Disarmament Affairs continued to hold broad-based consultations on further steps to enhance international cooperation in preventing, combating and eradicating illicit brokering in small arms and light weapons with all Member States and interested regional and subregional organizations. Informal consultations open to all Members States, entities of the United Nations system, non-governmental organizations and experts in the field were held in New York and Geneva, respectively, on 1 and 8 July 2005.

13. In preparation for the broad-based consultations, the Department organized two workshops on the illicit brokering in small arms and light weapons, with financial support from the Governments of the Netherlands and Norway. The workshops, which were held in New York on 31 May 2005 and in Geneva on 3 June 2005, were aimed at providing delegates with an enhanced understanding of issues related to illicit brokering in small arms and light weapons.

14. The Department also held informal consultations on the margins of other meetings it organized, such as: a regional symposium on the implementation of the Programme of Action by the Arab States, held in Algiers 11 to 13 April 2005; a United Nations workshop on small arms and light weapons, held in Beijing from 19 to 21 April 2005; a meeting on the implementation of the Programme of Action organized by the Organization for Security and Cooperation on 25 April 2005; the Organization of American States Forum on Confidence- and Security-Building Measures, held in Washington, D.C., on 25 and 26 April 2005; a workshop on transfer control initiatives for the Caribbean Community (CARICOM), held in Nassau on 12 May 2005; a United Nations regional workshop on conventional arms, held in Nairobi from 31 May to 2 June 2005; a workshop on transfer control initiatives for the Andean Community, held in Lima from 19 to 20 May 2005; and a workshop on transfer controls initiatives for the MERCOSUR region, held in Porto Alegre, Brazil, on 2 June 2005.

15. During the consultations, general agreement emerged for States to adopt laws and regulations to control brokering and to develop regional and global agreements on the brokering of small arms and light weapons. It was noted that the existing regional and subregional agreements concerning brokering cover more than 120 countries. It was suggested that the existing regional and subregional agreements could provide a basis for discussions on a global instrument regarding arms brokering. However, the issues of extraterritorial jurisdiction and the definition of the scope of brokering activities remain controversial.

16. With regard to the establishment of the group of governmental experts mandated by General Assembly resolution 59/86, some Member States suggested that further discussion should be undertaken at the sixtieth session of the General Assembly regarding the mandate and scope of the work of the group of governmental experts. Suggestions were made that the group should, among other things, address funding, banking and shipping activities, licensing systems, the definition of illicit brokering, and the issue of extraterritorial jurisdiction. Member States also suggested that the group address the link between illicit brokering and the inadequacy of end-user certificates, as well as marking and tracing. Some Member States suggested that the group should also look into the feasibility of the development and adoption of an international instrument to regulate brokering and that a decision on the nature of the instrument (legally binding or not) be taken either by the General Assembly at the time of conferring the mandate on the group or following submission of the final recommendations of the group.

17. In order to have a realistic picture of the problem, it was also suggested that the members of the group undertake missions to the field with a view to consulting with experts in the field, legal brokers and NGOs. The issue of international cooperation and assistance was also discussed extensively, in particular with regard to the importance of financial and technical assistance and capacity-building, as well as the importance of information and intelligence exchanges among States. Stressing the importance of continued awareness-raising initiatives, Member States requested the Department for Disarmament Affairs to continue organizing such meetings.

Second Biennial Meeting of States to Consider the Implementation of the Programme of Action to Prevent, Combat and Eradicate the Illicit Trade in Small Arms and Light Weapons in All its Aspects, at the national, regional and global levels

18. By its resolution 59/86, the Assembly decided to convene the Second Biennial Meeting of States to consider the implementation of the Programme of Action at the national, regional and global levels at Headquarters from 11 to 15 July 2005. The Meeting was chaired by Pasi Patokallio, Ambassador of Finland to Canada.

19. The Meeting held 10 plenary meetings to consider the national, regional and global implementation of the Programme of Action, including international cooperation and assistance. Seventy-nine national statements were made by representatives of participating States and one observer State. Statements were also made by representatives from six international and regional organizations, as well as by representatives of the International Action Network on Small Arms and the World Forum on the Future of Sport Shooting Activities. At the time of the Meeting, 100 national reports had been submitted to the Secretariat. The Meeting held thematic discussions within the framework of consideration of issues related to: weapons collection and destruction; stockpile management; disarmament, demobilization and reintegration; marking and tracing; capacity-building; resource mobilization; institution-building; linkages to terrorism, organized crime, trafficking in drugs and precious minerals; import/export and illicit brokering; human development; public awareness and the culture of peace; and the effects of small arms and light weapons on women, children and the elderly.

20. The discussions at the Second Biennial Meeting of States highlighted the fact that illicit small arms and light weapons continued to pose a complex and multifaceted challenge to international peace and security, social and economic development, human security, public health and human rights, among others. Consequently, the successful implementation of the Programme of Action has to take into account the cross-cutting nature of the problem and, therefore, requires a holistic, integrated and coherent approach covering all its dimensions. Although it was generally agreed that there was increasing consensus or common understandings on many of the fundamental issues relating to the problem of illicit small arms and light weapons, other issues, such as transfers to non-State actors and the matter of civilian possession of firearms, remain controversial.

2. Security Council

21. On 17 February 2005, the Security Council held an open debate on the issue of small arms (see S/PV.4896) to consider the report of the Secretary-General on small arms (see S/2003/1217), regarding the implementation of the 12 recommendations contained in his report of 20 September 2002 on ways and means by which the Security Council could contribute to dealing with the question of the illicit trade in small arms and light weapons in situations under its consideration (see S/2002/1053). Those recommendations covered four main topics: implementation of the Programme of Action; actions and arms embargoes mandated by the Security Council; conflict prevention, peacebuilding and disarmament, demobilization and reintegration of former combatants; and confidence-building. At the conclusion of its debate, the Security Council adopted a presidential statement (see S/PRST/2004/1), by which, inter alia, the Council welcomed the report of the Secretary-General and requested him to update it at its next meeting on further implementation of the recommendations contained in his report of 20 September 2002. In addition, on 25 February 2005, the Security Council held an open debate on cross-cutting issues in West Africa. The Council had before it the report of the Secretary-General on ways to combat subregional and cross-border problems in West Africa (see S/2005/86).

22. At the conclusion of the debate, the Security Council adopted a presidential statement (see S/PRST/2005/9), by which the Council, inter alia, expressed its deep concern about the involvement of individuals, including those from security and armed forces, in illicit activities such as smuggling firearms, drugs and natural resources. The Council emphasized the need to pursue security sector reforms with a view to improving civil-military relations in countries emerging from conflict situations, creating a culture of peace and stability and promoting the rule of law.

3. Coordinating Action on Small Arms[1]

23. During the period under review, a number of activities were carried out under the framework of the Coordinating Action on Small Arms mechanism (CASA). The Department for Disarmament Affairs, the Department of Economic and Social Affairs and UNDP continued their efforts to support the Sri Lanka national commission on small arms and light weapons through a joint project launched in 2003. From 30 March to 4 April 2005, the Department for Disarmament Affairs, the Department of Economic and Social Affairs and UNDP undertook an advisory mission to Sri Lanka with a view to assisting with the operationalization of the national commission.

24. Assistance was also provided to more than 115 developing countries under the project "Capacity development for reporting to the United Nations Programme of Action on small arms", which was jointly designed and is implemented by the Department for Disarmament Affairs, UNDP and UNIDIR, in collaboration with the Small Arms Survey. That assistance was provided mainly through regional workshops and an online help desk. The project also supported the organization of national workshops with relevant national authorities and national commissions in six countries in Southern Africa, as mentioned in paragraph 7 above.

25. As part of a strategy to raise awareness about the CASA mechanism in the field and improve coordination among United Nations offices at the country level on actions related to small arms and light weapons, the Department for Disarmament Affairs organized the first CASA consultation meeting in the field in Brasilia on 31 May 2005. That consultation resulted in a firm commitment by the United Nations offices in Brasilia to consult one another and make an effort to coordinate their assistance with the efforts of the Government of Brazil in implementing the Programme of Action. Similar consultation meetings are being planned in other countries of the region during the remainder of 2005.

4. Department for Disarmament Affairs

26. In accordance with paragraph 8 of General Assembly resolution 59/86, the Department for Disarmament Affairs continued to collate and circulate data and information provided by States on a voluntary basis, including national reports, concerning the implementation of the Programme of Action, national legislation on small arms and light weapons and national points of contact for the implementation of the Programme of Action.[2]

27. The Department for Disarmament Affairs organized or co-organized conferences, seminars and workshops in Africa, Asia, Europe and Latin America and the Caribbean, including a regional seminar on small arms and light weapons for the South Pacific, held in Nadi, the Fiji Islands, from 18 to 20 August 2004; a workshop to assess Latin American preparations for the 2005 Biennial Meeting of States on small arms and light weapons, held in Lima from 9 to 10 September 2004; a workshop on disarmament and development, held in Lima from 27 to 29 September 2004; a regional symposium on the implementation of the Programme of Action by the Arab States, held in Algiers from 11 to 13 April 2005; a workshop on small arms and light weapons, held in Beijing from 19 to 21 April 2005; workshops on transfer control initiatives, held in Nassau on 12 May 2005; a workshop on transfer control initiatives for the Andean Community, held in Lima from 19 to 20 May 2005; and a workshop on transfer control initiatives for the MERCOSUR region, held in Porto Alegre, Brazil, on 2 June 2005.

28. The Department also carried out the following activities during the period under review: technical assistance for the development of firearms legislation, common criteria for the import, export and transit of firearms and capacity-building for law enforcement officials of Latin America and the Caribbean; technical assistance to members of parliaments of countries of MERCOSUR and Associated States, as well as for countries of the Andean Community, in analysis of the status and drafting of national firearms legislation and related international instruments; improvement of two training facilities at police academies in Costa Rica and Uruguay to carry out future subregional courses; and training courses on

intelligence and international cooperation at the recently created Regional Public Security Training Centre in Brazil. In addition, the Department provided practical assistance in the destruction and removal of 52,000 firearms in Brazil, Costa Rica and Paraguay and the destruction of more than 96 tons of ammunition and explosives in Paraguay, as well as in improving the security of weapons facilities, including licensing and storage-management systems.[3]

29. The two-year pilot small arms education project implemented by the Department and the Hague Appeal for Peace in Albania, Cambodia, the Niger and Peru, was successfully concluded on 31 January 2005. A book entitled *Peace and Disarmament Education: Changing Mindsets to Reduce Violence and Sustain the Removal of Small Arms* was published and is available through the Department or the Hague Appeal for Peace. The book contains reports from each of the four country projects. The reports describe the main activities carried out and assessments of the behavioural and attitudinal impact of the projects on the student, teachers, the students-teachers, school administrators and principals, as well as Ministry of Education personnel. The book also contains a detailed substantive educational evaluation of the projects and an organizer's manual to assist in the replication of the projects in other countries.

5. Department of Peacekeeping Operations

30. The Department of Peacekeeping Operations plays an important role in the implementation of disarmament, demobilization and reintegration programmes in peacekeeping missions. Currently, there are six peacekeeping missions (in Burundi, Democratic Republic of the Congo, Côte d'Ivoire, Haiti, Liberia and the Sudan) that include specific provisions for weapons collection and destruction in the planning and implementation of their disarmament, demobilization and reintegration programmes. Those operational disarmament, demobilization and reintegration activities are undertaken within a regional context, which emphasizes the monitoring of the illicit flows of small arms and light weapons and the monitoring of arms embargoes. Some of those disarmament, demobilization and reintegration programmes also emphasize weapons collection strategies at the community level, which are complemented by support to develop small arms and light weapons control regimes and the capacity of national Governments to deal with the proliferation of such weapons. In addition to those operational activities, the Department of Peacekeeping Operations is leading a joint United Nations inter-agency[4] initiative to develop comprehensive and coherent United Nations policies, guidelines and procedures on disarmament, demobilization and reintegration, as well as a web-based United Nations resource centre on disarmament, demobilization and reintegration.

6. Department of Public Information

31. The Department of Public Information has utilized its television, radio, print, outreach and Internet channels, as well as its network of the United Nations information centres and services, to call the attention of the international community to the dangers associated with the illicit trade in small arms and light weapons. During the period under review, the Department of Public Information United Nations *News Centre*, one of the most heavily visited segments of the United Nations website, currently available in all official languages, continued to cover a wide range of events and developments related to the question of small arms and

light weapons. Those issues were also featured in the Department of Public Information daily radio live broadcasts, current affairs magazines and television programmes, including three "UN in Action" news stories and three "World Chronicle" television shows. A number of small arms-related stories were also carried by UNIFEED, the new daily satellite feed that reaches, through the Associated Press Television News Agency, more than 500 television stations around the world. The issue of small arms and light weapons was discussed in United Nations institutional publications and addressed in the context of the annual DPI/NGO Conference on the theme "Millennium Development Goals: civil society takes action", which was held in September 2004 at Headquarters. Furthermore, the Department of Public Information sent a guidance note to United Nations information centres and its other field offices encouraging them to implement relevant public information programmes at the national level.

32. On the occasion of the third substantive session of the Open-ended Working Group on tracing illicit small arms and light weapons and of the Second Biennial Meeting of States to Consider the Implementation of the Programme of Action, held from 6 to 17 June 2005, the Department of Public Information, in collaboration with the Department for Disarmament Affairs, updated a booklet entitled *Small arms and light weapons: selected United Nations documents*. The two departments also collaborated in designing and developing the official website on the Second Biennial Meeting of States and published and disseminated a "Frequently Asked Questions" leaflet.

7. Office of the Special Representative of the Secretary-General for Children and Armed Conflict

33. The Office of the Special Representative of the Secretary-General for Children and Armed Conflict continues to draw attention to the impact of small arms and light weapons on children and to advocate action to redress the situation. During the period under review, the Office prepared the fifth report of the Secretary-General to the Security Council on children and armed conflict (see S/2005/72) and proposed a series of recommendations relating to the trafficking in small arms and light weapons, including, inter alia, that national commissions on small arms and light weapons should incorporate into their national plans of action public awareness campaigns on the protection of children in armed conflict, and that the work of the United Nations agencies that undertake data collection on the impact of small arms and light weapons on children in armed conflict, transitional and post-conflict situations should be supported.

8. United Nations Office on Drugs and Crime

34. The Protocol against the Illicit Manufacturing of and Trafficking in Firearms, Their Parts and Components and Ammunition, supplementing the United Nations Convention against Transnational Organized Crime (the Firearms Protocol)[5] entered into force on 3 July 2005. The Firearms Protocol is the first instrument of global application dealing with firearms. It sets out a comprehensive system to control the movement of firearms, their parts and components and ammunition, which includes provisions that require the criminalization of offences relating to the illicit manufacturing of and trafficking in firearms, their parts and components and ammunition, as well as to the tampering with firearms markings. To facilitate its assistance activities to States in the ratification and implementation process, the

Office on Drugs and Crime has developed a legislative guide for the Firearms Protocol,[6] which identifies legislative requirements, issues arising from those requirements and options available to States in developing and drafting the necessary legislation.[7]

9. United Nations Children's Fund

35. Hundreds of thousands of child soldiers are currently serving in armed forces throughout the world. The United Nations Children's Fund (UNICEF) programmes build capacity in the protection of children and the elimination of the use of children as soldiers. UNICEF programmes on nutrition, education, psychological health, water and sanitation, landmines and protection in complex emergencies seek to mitigate the impact of conflict on children. Consistent with the Programme of Action, UNICEF continued to advocate against the recruitment and use of child soldiers and was actively involved in disarmament, demobilization and reintegration processes.

36. In Bosnia and Herzegovina, UNICEF has supported the integration of small arms and light weapons awareness into the national school-based landmine risk education programme, its training for teachers and its peer education programmes. UNICEF has also developed a peace and tolerance curriculum with the Ministry of Education in Côte d'Ivoire and supported training of trainers for 550 teachers, benefiting more than 750,000 children. At the global level, UNICEF continued to contribute to the development of a system to monitor and report on egregious rights violations perpetrated against children in conflict-affected areas. UNICEF also collaborated with partners in a landmark United Nations study on violence against children.

10. United Nations Development Programme

37. UNDP has continued to play a leading role in developing the capacity of States to manage weapons collection, disarmament, demobilization and reintegration and violence-reduction initiatives. UNDP has provided support to small arms and light weapons-related initiatives in more than 40 partner countries worldwide. The experience and lessons learned from each successive project has enabled UNDP to refine its support strategies and programmatic focus to more accurately and effectively address the needs and realities of countries most affected by small arms-related violence.

38. Technical assistance has been provided to UNDP country projects in seven countries under the weapons collection, management and destruction programme. Overall, the programme enabled the collection and destruction of 340,378 small arms and light weapons and 1,165 tons of ammunition and of another 49.6 million items such as cartridges (bullets). Stockpile management assistance was provided for 340,378 weapons- and capacity-development activities providing training for 800 officials, mainly on small arms and light weapons and ammunition safety and security. Under the programme framework, UNDP has subcontracted the development of a management information software called DREAM (disarmament, demobilization and reintegration and arms management), which was designed to serve partly as a tool for registration and stockpile management of national firearms.

11. Office of the United Nations High Commissioner for Refugees

39. The proliferation of small arms has a grave impact on the security of refugees and internally displaced persons and those who seek to assist them. The Office of the United Nations High Commissioner for Refugees (UNHCR) has worked alongside host States in ongoing efforts to prevent the proliferation of small arms in refugee communities and/or the infiltration of armed elements and combatants in those communities. Such efforts included ensuring the location of camps well away from international borders and zones of conflict. UNHCR also sought to strengthen partnership with organizations such as the International Committee of the Red Cross (ICRC), the Office of the High Commissioner for Human Rights (OHCHR) and the Department of Peacekeeping Operations to develop a capacity to identify, separate and disarm armed elements from refugees.

12. United Nations Institute for Disarmament Research

40. UNIDIR, in collaboration with the Emergency and Security Service of UNHCR, is profiling the issue of small arms as it impacts upon the lives of refugees, internally displaced persons and returnees. A special issue of *Refugees Magazine* was produced for the Second Biennial Meeting of States. UNIDIR is cooperating with other United Nations bodies and NGOs on interpersonal violence and small arms and has initiated projects with the Economic Commission for Europe to assist the commercial sector in increasing the security of the communities in which they operate. UNIDIR, through its work in the Geneva Forum, co-organizes regular discussions among States, international organizations and NGOs to promote and monitor the implementation of the Programme of Action.

41. UNIDIR is carrying out a pilot project on the theme "European action on small arms, light weapons and explosive remnants of war", and work has begun on a joint study with the South-Eastern Europe Clearinghouse for the Control of Small Arms and Light Weapons and the University of Bradford to undertake a study of the costs of destroying small arms and light weapons. Using participatory monitoring and evaluation techniques, UNIDIR has identified key criteria for successful weapons collection. The project studied the experiences of Albania, Cambodia and Mali and assisted work in Kenya, Sierra Leone and Somalia.

13. Office for the Coordination of Humanitarian Affairs

42. At the sixth High-Level Meeting between the United Nations and Regional and Other Intergovernmental Organizations, held in July 2005, the Office for the Coordination of Humanitarian Affairs presented a work plan for joint cooperation with regional organizations on the issue of protection of civilians in armed conflict.

14. United Nations Development Fund for Women

43. The United Nations Development Fund for Women (UNIFEM) has continued its advocacy work for better inclusion of gender perspectives in United Nations activities related to small arms and light weapons. In October 2004, on the occasion of the fourth anniversary of Security Council resolution 1325 (2000), UNIFEM launched a new publication entitled "Getting it right, doing it right: gender and disarmament, demobilization and reintegration". The publication contains two in-depth case studies, lessons learned, the recommendations that emanated from a desk review of United Nations disarmament, demobilization and reintegration

programmes to date and a set of policy guidelines aimed at informing planning and programming through all stages of disarmament, demobilization and reintegration implementation. UNIFEM has also informed the planning of disarmament, demobilization and reintegration programmes in Haiti, the Sudan and the Great Lakes region and has contributed to the United Nations inter-agency working group on disarmament, demobilization and reintegration.

44. Earlier, in August 2004, UNIFEM supported the Ndabaga Association of Women Ex-Combatants in Rwanda in holding their first membership-wide meeting, which resulted in increased support for the Association from the Rwanda Demobilization and Reintegration Commission. On the occasion of the Second Biennial Meeting of States, UNIFEM co-organized a panel entitled "Men, women and gun violence", which brought together United Nations practitioners, academic researchers and civil society representatives to elaborate the utility of gender analysis for small arms control initiatives.

15. World Health Organization

45. The Armed Violence Prevention Programme of the World Health Organization (WHO) aims to strengthen national capacities and to promote coherent institutional synergies at international and regional levels on armed violence prevention. The Programme represents an innovative collaboration that derives its strength from WHO experience in analysing armed violence and UNDP operational strengths in sectors relevant to violence prevention at the country level. Phase I of the Programme builds on previous work of both WHO and UNDP in Brazil and El Salvador. In that phase, the programme will identify and evaluate actions being undertaken to prevent armed violence. That will contribute to the development of a database of evidence on effective ways to prevent armed violence, and will eventually enhance the capacity to develop strategies to reduce the demand for small arms.

B. Regional and subregional levels

46. During the period under review, regional and subregional organizations undertook numerous activities in the implementation of the Programme of Action. For instance, the States parties signatories to the Nairobi Declaration and the Nairobi Protocol met in Nairobi on 20 and 21 June 2005 for the Third Ministerial Review Conference of the Nairobi Declaration[8] on the Problem of the Proliferation of Illicit Small Arms and Light Weapons in the Great Lakes Region and the Horn of Africa. The Conference culminated with the adoption of The Best Practice Guidelines and Minimum Common Standards on Key Issues in the Implementation of the Nairobi Protocol; the signing of the Ministerial Declaration on Practical Implementation of Small Arms Action in the Great Lakes Region and the Horn of Africa; and the signing of the Agreement on the Establishment of a Regional Centre on Small Arms. The signing of the above-mentioned Agreement transformed the Nairobi Secretariat into the Regional Centre on Small Arms and Light Weapons.[9]

47. In West Africa, national commissions from 15 member States of the Economic Community of West African States (ECOWAS), along with members of civil society, met in March 2005 in Bamako to review a draft convention that would transform the current voluntary ECOWAS moratorium on the importation,

exportation and manufacture of light weapons in West Africa into a legally binding treaty.

48. The North Atlantic Treaty Organization, through its Partnership for Peace Trust Fund programme and the Euro-Atlantic Partnership Council Ad Hoc Working Group on small arms and light weapons and mine action, continued to develop and implement activities in areas directly supporting the implementation of the United Nations Programme of Action. In September 2004, the Working Group revised its Trust Fund policy, with a view to providing Partnership for Peace Trust Fund Partners with new opportunities to serve as lead nations for specific projects, as well as to support the North Atlantic Treaty Organization (NATO) cooperation with the Mediterranean Dialogue countries and the Istanbul Cooperation Initiative. NATO has also completed various antipersonnel landmine destruction projects in Albania, Republic of Moldova, Tajikistan and the Ukraine and the destruction of small arms and light weapons in Serbia and Montenegro.

49. The Organization for Security and Cooperation in Europe Forum for Security Cooperation adopted two decisions designed to enhance the control of small arms and light weapons exports, decision 5/04 on standard elements for end-user certificates and verification procedures for small arms and light weapons exports, and decision 8/04, which sets forth OSCE principles on the control of brokering in small arms and light weapons. Decision 8/04 is designed to stop the circumvention of sanctions adopted by the Security Council, as well as to minimize the risk of diversion of small arms and light weapons into illegal markets and reinforce their export control.

50. The Council of the European Union adopted a joint action in November 2004 to support ECOWAS in combating the proliferation of small arms and light weapons. The European Union (EU) provided a contribution of 151,000 euros towards the setting up of the light weapons unit within the ECOWAS secretariat and supporting efforts to transform the ECOWAS moratorium into a legally binding instrument.[10] In addition, in 2005, the EU concluded its weapons collection and destruction programmes in Albania, Cambodia and South-East Europe.

51. On 19 October 2004, the Wassenaar Arrangement on Export Controls for Conventional Arms and Dual-Use Goods and Technologies[11] organized an outreach seminar in Vienna to raise awareness on the positive contribution that the Wassenaar Arrangement makes to responsible transfers of conventional arms and dual-use goods and technologies and the importance of increasing its transparency. At its 10th plenary meeting, held in Vienna on 8 and 9 December 2004, the Wassenaar Arrangement welcomed the adoption of Security Council resolution 1540 (2004), which stipulates that participating States shall establish, develop and maintain appropriate and effective export and trans-shipment controls.

52. The fifth meeting of the Regional Steering Group for the Control of Small Arms and Light Weapons in South-Eastern Europe, which was held on the margins of the second regional small arms and light weapons seminar for national focal points and programme managers, held in Budva, Montenegro, on 13 and 14 October 2004, considered ways to enhance awareness of the problems and consequences of small arms and light weapons proliferation in the South-Eastern European region and to assess the implementation of the Stability Pact Regional Implementation Plan on small arms and light weapons, lessons learned on small arms control

interventions and problems related to recovered and surplus small arms and light weapons and ammunition.[12]

C. National level

53. At the time of completion of the present report, the Department for Disarmament Affairs had received 100 national reports on the implementation of the Programme of Action.[13]

IV. Conclusions

54. **As can be noted from the information outlined above, continued efforts are being made to provide assistance to countries in need of addressing the proliferation of illicit weapons in their territories, as well as those in need of assistance in implementing the provisions of the Programme of Action to Prevent, Eradicate and Combat the Illicit Trade In Small Arms and Light Weapons in All Its Aspects. Efforts at the regional level are also very encouraging, and there has been a noticeable improvement in the collaboration and cooperation of CASA members.**

55. **At the global level, the outcome of the Open-ended Working Group on Tracing constituted a significant step towards the realization of the commitments undertaken by States under the Programme of Action. The politically binding international instrument agreed upon by the Working Group will provide States with an important tool to enhance cooperation in tracing the sources of leakage of small arms and light weapons into illicit trade. The broad-based consultations on illicit brokering held by the Secretariat have highlighted once again the complex nature of the small arms challenge and the need to continuously develop the capacity of affected States to address its multiple facets. It is hoped that the group of governmental experts to be established after the Review Conference to consider progress made in the implementation of the Programme of Action will help build the consensus necessary for enhanced international cooperation in preventing, combating and eradicating illicit brokering in small arms and light weapons.**

56. **The various initiatives undertaken by the United Nations departments, specialized agencies and funds, both individually and collectively, under the auspices of the CASA mechanism, testify to the fact that assistance to States and the development of capacity for the implementation of the Programme of Action have remained a central priority of the United Nations. The initiatives carried out at the regional and subregional levels are encouraging and in many instances provide a basis for further action at the global level.**

Notes

[1] The Coordinating Action on Small Arms (CASA) mechanism consists of 16 United Nations entities and was established by the Secretary-General in 1998 to enable the Organization to bring a holistic and multidisciplinary approach to bear on this complex and multifaceted global problem. These include: the Department for Disarmament Affairs, the Office for the Coordination of Humanitarian Affairs, the Department of Economic and Social Affairs, the

Department of Political Affairs, the Department of Peacekeeping Operations, the Department of Public Information, the United Nations Children's Fund, the United Nations Development Programme, the Office of the Special Representative of the Secretary-General for Children and Armed Conflict, the Office of the United Nations High Commissioner for Human Rights, the Office of the United Nations High Commissioner for Refugees, the United Nations Institute for Disarmament Research, the United Nations Office on Drugs and Crime, the United Nations Development Fund for Women, the World Health Organization and the United Nations Environmental Programme.

[2] The electronic copies of data and information provided by States on a voluntary basis can be accessed on the website of the Department for Disarmament Affairs (www.disarmament.un.org/cab/salw.html). The Department also maintains printed versions of the documents, which are available for consultation by Governments.

[3] See the reports of the Secretary-General on the United Nations Regional Centre for Peace and Disarmament in Africa (A/60/__), the United Nations Regional Centre for Peace and Disarmament in Asia and the Pacific (A/60/__) and the United Nations Regional Centre for Peace, Disarmament and Development in Latin America and the Caribbean (A/60/__).

[4] The Department of Peacekeeping Operations, the Department for Disarmament Affairs, the Department of Political Affairs, the Department of Public Information, the International Labour Organization, the International Organization for Migration, the United Nations Programme on HIV/AIDS, the United Nations Development Programme, the United Nations Children's Fund, the United Nations Development Fund for Women, the United Nations Population Fund, the Office of the United Nations High Commissioner for Refugees, the World Food Programme and the World Health Organization.

[5] General Assembly resolution 55/255, annex.

[6] *Legislative Guides for the Implementation of the United Nations Convention against Transnational Organized Crime and the Protocols thereto* (United Nations publication, Sales No. E.05.II).

[7] See www.unodc.org.html.

[8] See "Summary on the Third Ministerial Review Conference on the Nairobi Declaration and Nairobi Protocol on Small Arms and Light Weapons", Nairobi Secretariat on Small Arms; see www.nbisecsalw.org/events.html.

[9] See *Joint Communiqué*; June 2005, Nairobi Secretariat on Small Arms at www.nbisecsalw.org/events.html.

[10] See Council of European Union, EU Joint Action 2002/589/CFSP of 12 July 2002; annual report of the Council to the European Parliament on the main aspects and basic choices of CFSP, 15 April 2005.

[11] The Wassenaar Arrangement was established in July 1996. Its meetings are normally held in Vienna, where the Arrangement is based. The participating States of the Wassenaar Arrangement are: Argentina, Australia, Austria, Belgium, Bulgaria, Canada, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Poland, Portugal, the Republic of Korea, Romania, the Russian Federation, Slovakia, Spain, Sweden, Switzerland, Turkey, Ukraine, United Kingdom and the United States; see www.wassenaar.org.

[12] See Executive summary of the 5th Meeting of the Regional Steering Group for the Control of Small Arms and Light Weapons in SEE, Stability Pact for South Eastern Europe; see www.stabilitypact.org.

[13] See www.disarmament2.un.org.

United Nations A/60/162

General Assembly

Distr.: General
26 July 2005

Original: English

Sixtieth session
Second Committee
Item 58 (b) of the provisional agenda*
Eradication of poverty and other development issues: women in development

Women in development

Report of the Secretary-General

Summary

Pursuant to General Assembly resolution 58/206, the present report focuses on the impact of globalization on women's employment and empowerment, using an example from the service sector. The report reviews both benefits and challenges faced by women as a result of the growth of the service sector and examines the gender perspectives of the General Agreement on Trade in Services. On the basis of contributions from entities of the United Nations system, the report provides examples of activities to promote gender equality in the service sector. It concludes with recommendations for the consideration of the Assembly on gender equality in the economy.

* A/60/150.

05-44251 (E) 190805

Contents

		Paragraphs	*Page*
I.	Introduction	1–4	3
II.	Trends in women's employment	5–12	3
III.	Women and employment in the service sector	13–41	5
	A. Gender wage gaps	21–24	6
	B. Gender segmentation of the labour market	25–29	7
	C. Conditions and security of women's work	30–33	8
	D. Outsourcing of services and teleworking	34–37	9
	E. Women in management and decision-making	38–41	9
IV.	Gender equality and international trade in services	42–49	10
V.	Activities of United Nations entities on women in the service sector	50–54	12
VI.	Conclusions and recommendations	55–63	12

I. Introduction

1. In its resolution 58/206 of 23 December 2003, the General Assembly reaffirmed that gender equality was of fundamental importance for achieving sustained economic growth and sustainable development and that investing in the development of women and girls had a multiplier effect, in particular on productivity, efficiency and sustained economic growth. The resolution recognized the significant contribution that women made to the economy and the major force that they represented for change and development in all sectors of the economy, especially in key areas such as agriculture, industry and services. The General Assembly was aware that while women represented an important and growing proportion of business owners, their contribution to economic and social development was constrained by, inter alia, the lack of equal access of women and men to, and control over, land, credit, technology, support services, education, training and information. This continuing discrimination against women impeded their full and equal contribution to, and equal opportunity to benefit from, development.

2. The Assembly requested the Secretary-General to submit to the General Assembly at its sixtieth session a report on the progress made in the implementation of its resolution 58/206, including the impact of globalization on the empowerment of women and their integration in development.

3. The present report is prepared in response to that resolution. It focuses on trends in women's employment and uses the service sector as an example,[1] providing information on women's roles in the health, education, tourism and information and communication technology sectors.

4. The report reviews both the benefits and challenges faced by women as a result of the growth of the service sector and examines the gender perspectives of the General Agreement on Trade in Services. On the basis of contributions from entities of the United Nations system,[2] the report provides examples of activities to promote gender equality in the service sector. It concludes with recommendations for the consideration of the Assembly on promoting gender equality in the economy.

II. Trends in women's employment

5. One of the positive achievements in relation to gender equality and the empowerment of women since the mid-1970s has been the increased presence of women in the labour force,[3] which was estimated at 1.2 billion in 2003, up from 1 billion in 1993.[4] Women's economic activity rates have been rising in most parts of the world, with the exception of Eastern and Central Europe (since 1989) and the Middle East and North Africa, where women's economic activity rates remain low by global standards.[5]

6. Although the employment of women has increased, in some areas it has been paralleled by high unemployment rates, lower wages and a deterioration in the terms and conditions of employment. Women represent 60 per cent of the world's 550 million working poor.[6] The growth of informal work across the world, along with the informalization or casualization of formal employment, has allowed employers to lower labour costs. In many cases it has also resulted in the bypassing of labour legislation and a failure to provide social benefits, which increased the

precariousness of jobs and insecurity of livelihoods. Many female home workers,[7] for example, receive extremely low wages, are unprotected by labour laws and do not receive social welfare benefits.[5]

7. According to recent International Labour Organization (ILO) statistics, informal employment — employment without secure contracts, worker benefits or social protection — constitutes 50 to 75 per cent of non-agricultural employment in developing countries and tends to be a larger source of employment for women than for men in all developing regions, except North Africa. The results of the analysis of three indicators — status, sector and wages/earnings — show that women are more likely to find employment in the informal economy than men. As a consequence, women constitute a higher share of the number of working poor in the world — those who work but do not earn enough to lift themselves and their families above the poverty line of one dollar a day.[4]

8. Patterns of informalization differ from region to region but the overall trend is discouraging in terms of prospects for realizing women's rights and well-being. Major forms of women's informal sector activities in Eastern Europe and the Commonwealth of Independent States (CIS) include secondary jobs undertaken to supplement poorly paid formal-sector jobs, such as in health and education, and work as subcontracted agents in small-scale border or suitcase trade. In the St. Petersburg region in the Russian Federation, women make up the bulk of employees among informal enterprises in education, health and culture (86 per cent), catering and services (85 per cent) and retail (69 per cent). The pattern of concentration of women's jobs at the lower end of the informal labour market replicates trends in the formal economy.[8]

9. Horizontal and vertical segregation are detrimental to women's participation in the labour market. While horizontal segregation prevents women from entering traditional "male occupations", vertical segregation impacts on women's career development opportunities preventing them from reaching managerial positions.

10. The movement of people from rural to urban areas and across international borders has increased, involving positive and negative aspects for both the individuals and countries involved. An increasing number of women migrate independently for work purposes. There is a shift to temporary migration and an increase in undocumented migrants, including through trafficking. Women smuggled by traffickers may be led to believe that they will work in legitimate occupations but find themselves trapped into domestic work, sweatshops and types of exploitation that constitute a contemporary form of slavery.[5]

11. Several distinct categories of women migrate for work purposes, differentiated by their skills, the permanence of their residence in the host country and their legal status. At the lower end of the skills spectrum migrant women pick fruit and vegetables, manufacture garments and other items, process meat and poultry, work as nursing home and hospital aides, clean restaurants and hotels and provide a myriad of other services.[9] Women's position on the bottom rung of the labour market, the low value accorded to domestic and care work and the lack of social protection in irregular occupations, especially in the entertainment and hospitality industries, mean that many women are vulnerable to exploitation. At the higher end of the skills spectrum migrant women engage in equally diverse activities. They fill jobs requiring specialized skills, run multinational corporations, teach in

universities, supply research and development expertise to industry and academia and design, build and program computers, etc.

12. The information and communication technology revolution and access to the media has increased women's awareness of differences in living standards and their interest in migration.[10] Recent trends show that although migrant women may be making more money than they would in their home countries, they are still marginalized in low-paid positions.[11]

III. Women and employment in the service sector

13. The internationalization of services is at the core of economic globalization and the service sector is today the largest and fastest-growing sector of the world economy.[12] Foreign direct investment in services has been steadily increasing to form over half the world's investment stock, and is estimated to constitute at least 75 per cent of investment flows.[13] Increasingly, information and communication technologies are enabling the distribution and provision of services and reshaping the labour market within services.[14] Telecommunications and Internet provision have become core infrastructure for the trade of services.[15]

14. Slow growth or a decline in women's share of job openings in the manufacturing sector have led women to either withdraw from the labour force or move into the service sector. Although most developing countries still rely on agriculture for their wealth creation, according to the Organization for Economic Cooperation and Development (OECD) the service sector is growing steadily. Eurostat reported that 79.5 per cent of women in Europe were employed in the service sector in 1996, compared to 16.3 per cent in industry and 4.2 per cent in agriculture.[16] In Australia, most employees (almost 90 per cent) in the service sector were women in 1997.[17] In the United States of America, it is estimated that the service sector will experience the largest occupational growth between 2002 to 2012, with the creation of about one quarter of those jobs within the education and health services and one quarter within the professional and business services.[18]

15. The rate of female employment in the service sector varies also within regions, depending on the sector. For example, in financial intermediation women outnumbered men in several European Union member States in 1998 — nearly 61 per cent of the total employed in Ireland and almost 80 per cent in Finland, although less than 27 per cent in Spain and under 35 per cent in Italy and Portugal.[16] However, as reported by the Economic Commission for Europe (ECE), between 1994 and 2001 women's share in employment in the sector declined by as much as 23 percentage points in Lithuania and by seven to eight percentage points in the Czech Republic and in Estonia.

16. Many migrant women work in the health sector, particularly as nurses and physical therapists. Those jobs often follow well-recognized gender stereotypical patterns in terms of what, in some contexts, are perceived as acceptable economic activities for women. They also tend to have lower earnings relative to typical male employment. With many highly educated women from developing countries undertaking unskilled or semi-skilled work, the deskilling of women migrant workers has become a serious problem.[19]

17. The prospect of employment in other countries can stimulate interest in higher education. For example, in the Philippines interest in nursing schools has grown among both women and men, stimulated by the heightened demand for their skills within South-East Asia. The phenomenon has an interesting gender dimension in that men have become interested in what was traditionally regarded as female work because migration to take up nursing positions offers a high return on their educational investment. Whether the increase in nursing professionals will translate into better health care in the Philippines remains to be determined. Nurses and other medical professionals who remain in the Philippines generally prefer to work in cities, leaving a gap in the rural areas, which have the poorest access to health care.[9]

18. Budget constraints in the health sector within the more developed world have increased demand for migrant workers.[20] In some European countries migrant women in the care professions are increasingly sought to fill gaps in health, social and care services and as domestic workers, at wages and under terms not normally acceptable to nationals. An analysis of work permit data of the United Kingdom of Great Britain and Northern Ireland for 2000 showed that sectors with high proportions of female workers constituted some of the fastest-growing sectors of migrant employment. A crisis in nursing in the United Kingdom and Ireland, and in Canada and the United States, has resulted in a truly global labour market. Not only do the prospects of better pay attract women to the North, but the state of the health sector in the country of origin constitutes an important push factor.[5]

19. A substantial share of women's employment in the service sector is in information processing, particularly data entry.[21] Information and communication technology has contributed to increased employment and economic opportunities for women in many countries. For instance, in Latin America, East and Central Europe, South and South-East Asia and Southern Africa women increasingly participate in the higher levels of the information technology workforce. In Brazil, women account for 20 per cent of those working in the software industry and in Malaysia, women constitute 30 per cent of professionals in the information and communication technology sector.[22] Women form nearly 40 per cent of the computing workforces in the Kerala Technopark in India. In the early 1990s Barbados saw a sharp increase in female employment in the information sector.[23]

20. According to estimates by the ILO women account for up to 70 per cent of the labour force in global tourism.[24] In the Republic of Korea 60 per cent of workers were women.[25] In many countries women have been very active as entrepreneurs in the tourism sector and have created new economic and social opportunities (E/CN.17/1999/5/Add.2).

A. Gender wage gaps

21. Gender wage gaps persist in all sectors and throughout the world, largely owing to occupational segregation, both vertical and horizontal, and as a result of women's high rate of participation in part-time work. Studies of the more rapidly growing Asian economies suggested that the growth in exports in labour-intensive sectors and economic growth had been most rapid in those countries that had the widest gender wage gaps. The downward pressure on wages in those jobs was a result of global competition and placed serious limits on women's bargaining power in relation to wages.

22. A review of the data available for six diverse occupation groups showed that in most economies women still earned 90 per cent or less of what their male co-workers earned. Even in typically female occupations such as nursing and teaching, gender wage equality does not exist.[26] For example, in 2003 male nurses in the United States earned 12 per cent more than female nurses, and male teachers earned 14 per cent more than female teachers.[18] The 1998 United Nations Educational, Scientific and Cultural Organization World Education Report suggested that teachers' salaries would be higher if teaching were a male profession.[27]

23. The scarcity of wage data disaggregated by sex makes a thorough assessment of gender gaps difficult. Existing data provides evidence of a narrowing gap in some areas in a large number of countries. The reduction in the gap between female and male wages can be attributed to the decline in educational qualification gaps between women and men. Some country-level studies that isolated the effects of trade liberalization did, however, find that wage gaps caused by discrimination were increasing.[5] Public-sector reforms can also generate downward pressures on wages and working conditions and those reforms have a particular impact on lower-level staff.[5]

24. The highly competitive global economic environment, with an increased emphasis on labour-intensive export-oriented production including the area of services, has intensified efforts to utilize least-cost labour. According to the United Nations Conference on Trade and Development (UNCTAD), female workers are often preferred in labour-intensive service industries because they are considered cheap and flexible labour. Although women's pay and conditions are sometimes better in the export-sector, many jobs are insecure, with extremely poor conditions, and have few prospects for advancement. The gains are also not always permanent — women who lose jobs in internationally mobile labour-intensive industries face difficulties in obtaining employment in the more capital-intensive industries that may replace them.[5]

B. Gender segmentation of the labour market

25. Despite the increased participation by women in wage work, gender segmentation in labour markets persists. While there is variation in country-specific conditions, job segregation between paid and unpaid labour, and within paid labour markets, continues to be globally pervasive.[28] Gender differences in the labour market persist, even in the OECD countries, where women's participation in the labour force has been rising. The number of hours worked seems to account for those differences, with men working full-time and women working part-time as a result, inter alia, of their disproportionate share of unpaid care work.[5]

26. The division of labour in the service industries highlights the pervasive gender stratification built into organizational structures through lines of authority, job descriptions, rules and spatial and temporal segregation. Women working in the service sector are mostly in community, social and personal services that require lower levels of skills and are associated with their traditional gender roles, while men dominate better paid work within the service sector, such as within financial and business services.[6] ECE reported that women in Eastern Europe and CIS countries were losing ground in market-related service sectors.

27. Horizontal and vertical segregation can be illustrated by employment in the tourism sector. Horizontally, women and men are placed in different occupations — men, for example, as barmen, gardeners, drivers and pilots, and women, as waitresses, chambermaids, cleaners, sales persons and flight attendants.[29] Vertically, occupations with few career development opportunities are dominated by women while key managerial positions are dominated by men. The reasons for the horizontal and vertical segregation include gender stereotyping and the persistence of traditional gender roles.[30]

28. The ILO World Employment Report 2001 observed that patterns of gender segregation were being reproduced in the information economy, with women concentrated in end-user, lower-skilled information and communication technology jobs related to word processing and data entry and men in more senior managerial and administration positions and in the design of networks, operating systems and software.[31] Women finding employment in the new industries, often related to information and communication technologies, are rarely those who lost their jobs in the traditional sectors. New inequalities are therefore emerging between women with information and communication technology-related job skills versus those without.[32] The report also warned that "as teleworking is emerging as an important mode of working in the information economy, existing inequalities — particularly gender inequalities — will be reinforced unless proper policy measures are implemented".[31]

29. In the education sector the pattern in many countries is that most teachers at the primary school level are female, with the proportion of male teachers increasing at higher levels of education. Men on the other hand most often hold managerial positions, such as principals. Women are still a long way from participating on an equal basis with men in both teaching and management in higher education.[33]

C. Conditions and security of women's work

30. Service-sector employment is sometimes viewed as more desirable than manufacturing since jobs in the service sector are seen to have higher status. Service-sector employment may not, however, provide significantly more in terms of wages and security. A relatively large and growing number of part-time workers lack many of the benefits that full-time workers enjoy. Temporary labourers, the self-employed in the informal sector and small-scale entrepreneurs are also mainly women.[34]

31. The International Labour Organization has adopted international conventions and recommendations to protect workers' rights. ILO Convention 172 concerning Working Conditions in Hotels, Restaurants and Similar Establishments calls for policies to ensure improvements. In particular, the Convention provides for the regulation of working hours and compensation for overtime, daily and weekly rest periods, paid annual leave, regularly paid basic remuneration, and the prohibition of the sale and purchase of employment (E/CN.17/1999/5/Add.2).

32. In many health-care settings, female health-care providers face higher workloads, lower salaries, and fewer opportunities for career advancement and decision-making. WHO also reports that women and girls bear the brunt of care at the home level of the care continuum, most of which is unremunerated and has significant costs for girls who may be pulled out of school to perform such work.

33. The tourism sector has been characterized as offering generally poor conditions of work to women — low wages, irregular working hours, and part-time and seasonal work, as well as laundry, cooking and babysitting. Owing to a lack of unionization, those jobs often have low security of tenure and benefits.[24]

D. Outsourcing of services and teleworking

34. The expansion of the service sector has led to the increased outsourcing of services — an important business strategy that has given rise to a new global division of labour. In some countries in Asia, such as China, India and the Philippines, business process outsourcing[35] is the single largest technology-enabled employer of women and a field in which women are earning significant livelihoods. Internationally outsourced jobs, such as medical and legal transcription work, software services, or the maintenance of daily accounts for small businesses located in other countries, have made a considerable difference to women's work opportunities in developing countries.[36]

35. Teleworking is a growing employment trend that has opened up new opportunities for women by enabling them to work from home. This new organization of work has implications for women's multiple gender roles, including their responsibilities in the household. While able to work at home, the women telework in addition to their existing domestic tasks. They receive low wages relative to those working in the organized sector and have insecure employment contracts (if contracts exist at all). Very often women working at home have to make substantial investments to secure their work, including the purchase of computers and payment for electricity and Internet connectivity.[37]

36. The promotion of teleworking for women has to take into account the implications for their work burden, given that the division of work at the household level is not changing. While home-based work does allow women to continue to fulfil the domestic roles traditionally expected of them, it can be at a huge cost to the women themselves, for example involving staying up all night to meet deadlines.

37. There is considerable debate about the long-term impact of outsourcing and teleworking on women. On the one hand, some researchers claim that those forms of employment involve only a limited number of highly skilled professional workers and a vast bulk of semi-skilled workers. Studies of call centres in some countries point to the lack of opportunities for development and promotion in such activities, as well as to the high degree of burnout. Very few women are employed at the professional level or in the management of business process outsourcing.[38] Research by other scholars on women and information and communication technologies in Asia presents outsourcing as a major opportunity for the economic empowerment of women and women's employment in the sector is expected to grow.[38]

E. Women in management and decision-making

38. The Beijing Platform for Action called upon relevant actors to increase the number of women in leadership positions in the health professions, including researchers and scientists. The Platform for Action also called upon Governments, educational authorities and other educational and academic institutions to take

actions to ensure that female teachers and professors had the same opportunities as and equal status with male teachers and professors. It called for positive measures to increase the proportion of women at the educational policy and decision-making levels which were traditionally dominated by men (A/CONF.177/20/Rev.1). At its forty-seventh session, in 2003, the Commission on the Status of Women urged relevant actors to ensure equal opportunities for women and monitor gender representation in different categories and levels of work, education and training in the media and information and communication technology areas, with a view to increasing women's participation in decision-making at all levels of information and communication technology and the media.[39]

39. Data on the education sector from member States of the Commonwealth demonstrated that women were increasingly disadvantaged in administrative and management positions as they moved up the occupational ladder. Similar trends were observed among women professors. Women were particularly underrepresented in science and technology institutions. The causes of women's limited attainment of top positions in higher education institutions were personal (for example, lack of self-esteem), structural (for example, discriminatory appointment and promotion practices, and the absence of policies and legislation to ensure participation of women) and cultural factors (for example, gender-based roles).[40]

40. In most countries women are underrepresented in information and communication technology decision-making bodies, including policy and regulatory institutions and ministries responsible for information and communication technologies. Men still hold most of the management and decision-making positions in telecommunication companies and regulatory or policymaking bodies.[41] Even where women have the necessary skills, persistent cultural constraints, such as stereotypical views of the roles of men and women and women's lack of mobility, remain barriers to their full participation.

41. Action to redress women's underrepresentation in management and decision-making have been documented in several countries. For example, an initiative to ensure gender equality in higher education was made by the University of the South Pacific Council through the adoption of the Pacific Charter for Women Managers in Higher Education on 21 October 1996. The Charter is based on the principle that Pacific women are to be equally represented at all levels of policy and decision-making and management in institutions of higher education in the region.[42] The underrepresentation of women in management positions in the education system is being addressed through the Women into Educational Management Initiative of Ireland, which provides courses to support female teachers who wish to move into administrative or management roles.[43]

IV. Gender equality and international trade in services

42. The General Agreement on Trade in Services (GATS) was adopted in 1994 and is the first trade agreement to cover investment in services.[44] It provides a legal framework for trade in services, defined to cover a range of areas, including investment, financial services, communications, transportation, education, energy, water and movement of persons. It also called for the progressive liberalization of regulations that impede trade and investment in services.[45]

43. The liberalization of trade in services has been recognized as a major source of gains for developing countries, capable of bringing more benefits than perhaps any other part of the Doha Development Agenda. It promises development gains in terms of overall economic efficiency and growth potential, the export of other services and access to basic services to improve the lives of the poor. A recent study by OECD of the welfare effects of services trade liberalization in a range of countries and regions at different levels of development indicated that, with a single exception, the projected gains to countries and regions from unilateral service trade reform far exceeded those from unilateral reform in agriculture or manufacturing.[46]

44. However, the gains are contingent on regulation to address complex issues of market structure, market failures and non-economic objectives.[47] The OECD study pointed out that attention to the nature, pace and sequencing of liberalization would be key to both managing adjustment and to ensuring that liberalization was underpinned by sound regulatory frameworks.[46]

45. Women's participation in trade in services in developing countries has been growing gradually, in many cases mirroring the increased participation of women in many light manufacturing export sectors. The liberalization of services can provide significant benefits to women but can also create or worsen inequalities.[48]

46. Factors which affect the potential costs and benefits of trade liberalization for women are their existing assets, access to markets and infrastructure and economic activities. Some women can gain from the increased demand for the services they produce. Others may lose because the sectors in which they work become unprofitable or because they are unable to capitalize on the opportunities. Gender differences can occur since women and men work in different sectors and produce different services — women have less access to resources than men and women continue to have a larger share of responsibility for unpaid domestic work, which reduces their time availability.[49]

47. The cross-border movement of natural persons has become the main vehicle for greater participation by women in exports of services in developing countries, for example, in the health sector. However, civil society organizations have argued that the flexibility of labour that often follows liberalization can lead to the loss of formal contracts, social security and other social benefits.[11]

48. The establishment of a commercial presence in another country for the supply of services has, so far, not benefited women as much as men since it involves the deployment of capital and risk-taking in foreign markets, for which women entrepreneurs are not generally well equipped owing to their limited access to financial and other resources. However, according to UNCTAD women do benefit from the establishment of the commercial presence of foreign firms in many developing countries, especially in the financial and commercial service sectors.

49. A report of the United Nations Research Institute for Social Development emphasized that the commodification of services was likely to impact more negatively on women and girls than men and boys owing to such factors as disproportionate intra-household resource allocation where girls receive a smaller proportion of investments in health and education than boys, and women's lack of access to credit. Debates on social service reforms have largely not addressed the differential impacts on women and men.[5]

V. Activities of United Nations entities on women in the service sector

50. The following section does not provide a comprehensive overview but gives a number of illustrative examples of activities undertaken by entities of the Untied Nations system on women in the service sector.

51. The Inter-Agency Network on Women and Gender Equality Task Force on Gender and Trade, led by UNCTAD, launched a publication on "Trade and Gender: Opportunities and Challenges for Developing Countries" at the eleventh session of UNCTAD in 2004. The publication reviews, inter alia, the impact of trade liberalization on the service sector on women.[48]

52. Several individual entities of the United Nations system also carried out activities related to women's employment in the service sector. ECE, for example, undertook gender analysis of labour market trends in the Economic Survey of Europe. With respect to health services, the World Health Organization (WHO) is currently examining the effect of women's participation in the health workforce. The findings and related recommendations will be included in the 2006 World Health Report on Health and Human Resources. WHO is also looking at ways to support providers of home-based care, which is carried out in homes and communities mainly by women. The Division for the Advancement of Women published the World Survey on the Role of Women in Development: Women and International Migration, which addressed the situation of women migrant workers. The United Nations Development Fund for Women, in collaboration with the Noor Al Hussein Foundation and Netcorps Jordan focused on linking women producers to expanded tourist markets.

53. The International Trade Centre UNCTAD/WTO offers one-day training programmes for women entrepreneurs in the service sector that cover export preparedness, enterprise development, linkages and networking within the mainstream business community, the role of women entrepreneurs, creative leadership and economic empowerment. The United Nations Relief and Works Agency for Palestine Refugees in the Near East, through its programmes on Solidarity Group Lending and Micro-credit and Micro-finance, provided Palestinian women entrepreneurs with access to capital.

54. Other United Nations entities have focused on women's access to services, such as water and sanitation, energy, education and training and financial services and technologies. The International Research and Training Institute for the Advancement of Women, for example, carried out research on the gender dimensions of remittance flows in order to identify strategic entry points for strengthening women's capacity to take advantage of financial services.

VI. Conclusions and recommendations

55. **The impacts of globalization are complex. There may be significant variations in the potential of different groups in society to cope with and take advantage of the resulting challenges and opportunities of globalization. Inequalities between women and men, including in terms of access to and control over productive resources and access to technology and market**

information, can limit women's employment options and restrict their participation in economic decision-making. An enabling environment should be created to ensure that both women and men can take advantage of globalization.

56. **While trade liberalization may be an engine of economic growth and increased efficiency, there is evidence of the negative impact of labour market liberalization on women in terms of wages, work conditions and security of employment in many parts of the world. Trade and labour market liberalization has also resulted in an increase in casualization such as seasonal employment in the agricultural sector and contracted labour services for other labour-intensive activities. Declines in female employment in manufacturing have been noted following trade liberalization, for example in textile industries in countries as diverse as Bangladesh and Zimbabwe.**

57. **The service sector has provided women with increased job opportunities, including in non-traditional sectors such as the information and communication technology sector and tourism. Women's participation in trade in services has also been growing. However, women still predominate in traditionally female sectors, such as in health and education. Women workers in the informal economy are largely without social protection.**

58. **The gender segmentation of the labour market creates an additional challenge for women in the economy, preventing women from entering male-dominated sectors and accessing key managerial and other decision-making positions. Owing to rigid gender roles and stereotypes, women may be less able to benefit from available opportunities, and are more affected by the short-term negative consequences of trade and investment liberalization.**

59. **A greater recognition of the interdependence of social and economic issues and increased attention to social issues is a prerequisite for effectively addressing gender-based inequalities in employment. Policies need to be developed to enable both women and men to benefit from opportunities associated with the service sector, including through trade liberalization, and to mitigate the negative effects on women.**

60. **Further efforts are needed to address the gender wage gaps and gender segmentation of the labour market and to improve the conditions and security of women's employment, including in the service sector. Strategies to enhance the participation of women in managerial positions need to be strengthened.**

61. **The lack of sex disaggregated data is an obstacle to informed decisions for the promotion of gender equality in employment. Gender statistics and sex disaggregated data should be routinely collected for all sectors and all levels of employment.**

62. **There is a need to identify and address the gender perspectives of trade liberalization in the service sector. Particular attention to wages, working conditions, job security, participation in decision-making, women's ability to export services, and access to credit and information and communication technologies is required. The long-term effects of teleworking need to be further monitored and evaluated. Indicators and benchmarks in terms of changes in gender relations as a result of teleworking need to be developed and monitored on a regular basis.**[38]

63. National policies and practices need to be reviewed in order to eliminate discrimination against migrant women in employment in the service sector. Increased attention should be given to gender-specific barriers to migration, recruitment practices, access to information, human rights protection and remittance procedures.

Notes

[1] The definition of the service sector used in the present report, encompasses all non-agricultural and non-manufacturing industries. It may involve the transport, distribution and sale of goods from a producer to a consumer, such as in wholesaling and retailing, or the provision of a service, such as in education, health care, tourism, entertainment, insurance, the media and legal advice. Goods may be transformed in the process of providing the service, such as in the restaurant industry.

[2] Entities contributing to the report include: Department of Economic and Social Affairs, Economic Commission for Africa, Economic Commission for Europe, Economic and Social Commission for Asia and the Pacific, Food and Agriculture Organization of the United Nations, International Labour Organization, United Nations International Research and Training Institute for the Advancement of Women, International Trade Centre UNCTAD/WTO, United Nations Conference on Trade and Development, United Nations Environment Programme, United Nations Educational, Scientific and Cultural Organization, United Nations Industrial Development Organization, United Nations Development Fund for Women, UN-Habitat, United Nations Research Institute for Social Development, United Nations Relief and Works Agency for Palestine Refugees in the Near East and World Health Organization.

[3] The sum of unemployed plus employed women.

[4] International Labour Organization, *Women and Men in the Informal Economy: A Statistical Picture* (Geneva, 2002).

[5] United Nations Research Institute for Social Development, *Gender Equality: Striving for Justice in an Unequal World* (Geneva, 2005).

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[7] A homeworker is an individual who works at home with some agreement with a factory or entrepreneurs that supplies the material. The worker agrees to complete the set task on the materials supplied by a specific time for a set payment.

[8] Based on information provided by the Economic Commission for Europe.

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[35] Business process outsourcing is the leveraging of technology vendors to provide and manage a company's critical and non-critical enterprise applications. Through that process of service-oriented transformation companies can increasingly leverage third party companies that act as business service providers.

[36] A. Gurumurthy, *IT for Change* (BRIDGE, Development-Gender (Sept. 2004)).

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[39] See E/2003/27 and E/CN.6/2003/12.

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[44] The GATS distinguishes between four different ways in which a service can be traded, known as "modes of supply": Mode 1: *cross-border supply* — where the service itself crosses the border from one country to another, for example, telecommunications, insurance; Mode 2: *consumption abroad* — where individuals travel to another country to use the service there, for example, hospital service and tourism; Mode 3: *commercial presence* — where a foreign company sets up a subsidiary or branch within another country, for example, water companies in the country, hospitals, banks and energy companies; Mode 4: *movement of natural persons* — where individuals travelling from their own country to supply services in another, for example, nurses and construction workers. Among the objectives of creating GATS was the promotion of trade and development through progressive liberalization. WTO, Online. GATS Facts and Fiction, available from http://www.wto.org.

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United Nations A/60/163

General Assembly

Distr.: General
27 July 2005

Original: English

Sixtieth session
Item 52 (b) of the provisional agenda*
Macroeconomic policy questions: International financial system and development

International financial system and development

Report of the Secretary-General

Summary

The present report, submitted in compliance with General Assembly resolution 59/222, complements the report of the Secretary-General on follow-up to and implementation of the outcome of the International Conference on Financing for Development (A/60/___). It assesses the efficiency of the international financial system in allocating financial resources in a way that supports the mobilization of domestic resources and reviews recent measures to improve the stability of the international financial system with particular relevance to developing countries. It reviews policies to counter pro-cyclicality of international capital flows, improve multilateral surveillance, create additional emergency official financing arrangements, strengthen International Monetary Fund financing of poor countries, streamline the conditionality of the Fund's lending, implement sovereign debt restructuring, improve the role of Special Drawing Rights in the international financial system, support South-South cooperation in the international monetary system, and enhance the voice and participation of developing countries in international financial decision-making.

* A/60/150.

05-44390 (E) 220805

Contents

		Paragraphs	Page
I.	Net transfer of financial resources of developing and transition economies	1–15	3
	A. Net resource outflows from developing countries continued in 2004	2–3	3
	B. Net private flows to developing countries improved in 2004	4–11	5
	C. The impact on developing countries of net resource outflows	12–15	9
II.	Strengthening the international financial architecture	16–73	9
	A. Policies to counter pro-cyclicality of international capital flows	17–22	10
	B. Multilateral surveillance	23–28	11
	C. International official emergency financing and precautionary financial arrangements	29–37	12
	D. Strengthening IMF financing of poor countries	38–41	13
	E. Conditionality of IMF lending	42–48	14
	F. Sovereign debt restructuring	49–55	15
	G. The role of Special Drawing Rights in the international financial system	56–59	16
	H. Increasing South-South cooperation in the international monetary system	60–64	17
	I. Enhancing the voice and participation of developing countries in international financial decision-making	65–73	18
III.	Policy conclusions	74–80	20

Tables

1.	Net transfer of financial resources to selected developed economies, developing economies and economies in transition, 1993-2004	4
2.	Net financial flows to developing countries and economies in transition, 1993-2004	6
3.	Selected multilateral financial institutions: net transfers of resources, 1990-2004	8
4.	Shares in world total of IMF quotas and gross national income (purchasing power parity), 2002	20

I. Net transfer of financial resources of developing and transition economies

1. One of the functions of the international financial system is to allocate resources to their most productive uses. This process is normally considered to produce a positive international net transfer of financial resources[1] in the form of lending by developed countries to the developing world that finances the net import of developed country goods and services. This is in part the result of developed countries' limited investment opportunities due to declining working-age populations and high capital-labor ratios compared to developing countries' young, rapidly growing populations facing a scarcity of capital for their employment. In such conditions the returns to investment in developing countries are presumed to be higher than in developed countries and provide savers in the developed world the possibility to earn higher returns and enjoy increased diversification, while developing countries have access to the financial resources necessary to make capital investments needed to promote growth and higher living standards.

A. Net resource outflows from developing countries continued in 2004

2. International financial flows in the recent past have, however, departed from this pattern and increasing numbers of developing countries are making net transfers of financial resources to developed countries. These net outward transfers have been increasing steadily since 1997 and reached an estimated $350 billion in 2004 (see table 1). While many developed economies, such as Japan and the European Union, do follow this pattern as reflected in their current account surpluses and net outward financial transfers, this has been more than offset by the inward flow of financial resources required to finance the rising deficits in the balance of payments of the United States of America (see table 1). The result is a reversal of the expected global pattern of financial flows and a net outflow of financial resources from developing countries overall.

3. The counterpart of this net outflow of resources can be seen in the increasingly widespread improvement in the net export balances of developing and transition economies produced by increases in export volumes, as well as increasing prices of commodity exports. Declining debt service due to the recent experience of low international interest rates has converted the improvement in trade balances into positive current account balances for many countries. While the major part of the improvement was concentrated in East and South Asia, net outward financial transfers from Latin America also increased in 2004.

Table 1
Net transfer of financial resources to selected developed economies, developing economies and economies in transition, 1993-2004

(Billions of United States dollars)

	1993	*1994*	*1995*	*1996*	*1997*	*1998*	*1999*	*2000*	*2001*	*2002*	*2003*	*2004*
Developed economies[a]	-65.4	-44.2	-41.4	-4.6	-33.2	5.4	146.9	305.6	283.0	277.4	327.6	639.0
United States	83.7	113.4	112.2	120.9	126.7	185.0	286.7	403.6	389.3	450.3	527.6	651.7
Japan[b]	-95.5	-95.4	-73.8	-18.8	-44.9	-70.6	-66.7	-67.3	-25.4	-50.0	-71.8	n.a.
France	-21.8	-24.7	-28.6	-31.2	-49.3	-48.0	-40.7	-21.1	-33.5	-31.4	-26.2	-12.6
Germany	0.8	-0.1	-5.3	-12.8	-17.9	-21.4	-8.5	0.4	-32.3	-82.1	-97.4	n.a.
Italy	-32.5	-37.3	-45.9	-62.7	-47.8	-39.6	-24.0	-9.9	-15.1	-9.4	-4.6	n.a.
Developing economies	69.3	35.8	42.9	19.9	-5.2	-37.9	-127.4	-186.5	-153.7	-205.5	-274.8	-353.8
Africa	1.1	4.0	6.4	-5.8	-4.7	15.6	4.3	-26.2	-14.7	-5.6	-20.2	-32.8
Sub-Saharan (excluding Nigeria and South Africa)	8.6	6.7	7.4	5.3	7.5	12.1	9.1	3.0	7.9	6.4	6.5	3.9
Eastern and Southern Asia	18.7	1.0	22.1	18.5	-31.1	-128.2	-142.7	-121.3	-113.1	-142.1	-147.5	-167.8
Western Asia	33.1	13.2	15.6	5.3	6.2	28.5	-0.9	-39.1	-32.0	-26.7	-47.6	-79.9
Latin America	16.4	17.7	-1.2	1.8	24.5	46.2	11.8	0.1	6.1	-31.1	-59.5	-73.4
Economies in transition	1.8	-3.9	-2.3	-6.2	2.7	3.0	-24.0	-48.8	-30.5	-27.0	-34.4	-57.6
Memorandum item: Heavily indebted poor countries	8.5	7.1	6.3	6.8	7.1	8.6	10.1	8.8	8.8	9.9	10.6	11.3

Source: Department of Economic and Social Affairs, based on International Monetary Fund (IMF), *World Economic Outlook* (April 2005) and IMF balance of payments statistics.

[a] Figures are total net transfers of the five developed economies listed.

[b] No data on workers' remittances from 1993-1995 for Japan.

B. Net private flows to developing countries improved in 2004

4. Continued improvement in trade performance and macroeconomic conditions, combined with more optimistic investor sentiment and supported by a favourable international financial environment, produced a two-fold increase in net private capital inflows to developing and transition economies compared to the level in 2003 (see table 2). There were substantial increases in foreign direct investment and portfolio investment flows, to the highest level since the Asian financial crisis in 1997. This augmented access to private capital markets allowed many countries to reduce their indebtedness to official sources (see para. 11 below) and to increase their official reserve positions (see para. 13 below).

5. The improvement in net private flows reflects an increasing incidence of credit rating upgrades of emerging market sovereign debt issuers, resulting in a new high in average credit quality and an increasing percentage of emerging market sovereign bonds with an investment-grade rating. This improvement in credit ratings and the inclusion of emerging market bonds in global bond indices has led to a broadening of the investor base to include institutional investors.

6. Divergence in regional private financial flows continued in 2004 and has resulted in changes in regional distribution of these flows. The most striking is the strong increase in flows to East and South Asia, particularly China, at the expense of Latin America. Consequently, while private financial flows to this Asian subregion have recovered strongly since the end of the 1990s, financial flows to Latin America have dwindled from a high in 1997.

7. Foreign direct investment continued to be the largest source of external financing for developing countries and economies in transition. There was a broad-based recovery in foreign direct investment to these countries in 2004 after two years of retrenchment. A combination of factors, including improvement in investment climate, strong commodity prices and the global economic recovery, provided impetus for increased investment by transnational corporations. Growing opportunities for mergers and acquisitions also bolstered investment.

8. Net portfolio flows to developing and transition economies also rose substantially in 2004 and continued early in 2005 until a retrenchment in the second quarter of the year, in response to deterioration in investor sentiment. Net bond issuance was strong across developing regions, particularly in East and South Asia, and to a lesser extent Latin America and Western Asia. Many issuers of sovereign bonds were able to meet a substantial portion of their annual financing needs early in 2005 and to extend maturities of the bonds issued. In addition, more corporations and lower-rated sovereign borrowers could obtain financing. The sell-off in international credit markets in March-April 2005 led to the postponement or cancellation of some new bond issues but borrowers with high credit ratings had little trouble accessing financing. Issuance of local currency bonds also increased substantially in 2004, although these bonds remain a small proportion of total emerging market bonds.

Table 2
Net financial flows to developing countries and economies in transition, 1993-2004

(Billions of United States dollars)

	Annual average			
	1993-1997	*1998-2002*	*2003*	*2004*
Developing countries				
Net private capital flows	151.5	48.3	92.1	152.3
Net direct investment	87.7	141.1	132.8	158.3
Net portfolio investment[a]	65.0	-8.5	-9.7	13.1
Other net investment[b]	-1.2	-84.3	-31.0	-19.1
Net official flows	12.3	9.3	-51.4	-55.9
Total net flows	163.8	57.6	40.7	96.4
Change in reserves	-79.3	-97.9	-328.2	-454.9
Africa				
Net private capital flows	6.0	8.9	12.7	9.0
Net direct investment	3.9	13.0	15.3	15.5
Net portfolio investment[a]	4.0	0.2	-0.6	2.9
Other net investment[b]	-1.9	-4.3	-2.0	-9.4
Net official flows	1.2	0.7	1.8	-1.2
Total net flows	7.2	9.6	14.5	7.8
Change in reserves	-7.2	-7.2	-22.9	-38.7
Eastern and Southern Asia				
Net private capital flows	73.4	-1.4	60.0	133.0
Net direct investment	48.1	60.5	72.3	88.6
Net portfolio investment[a]	21.7	-6.8	2.5	25.8
Other net investment[b]	3.7	-55.1	-14.9	18.5
Net official flows	4.2	1.9	-14.3	7.0
Total net flows	77.6	0.5	45.6	140.0
Change in reserves	-44.2	-93.1	-238.7	-356.0
West Asia				
Net private capital flows	12.4	4.6	4.3	-2.3
Net direct investment	5.0	5.2	10.4	8.8
Net portfolio investment[a]	-1.0	-2.4	-1.5	-1.4
Other net investment[b]	8.5	1.9	-4.6	-9.7
Net official flows	4.3	-5.5	-47.6	-54.5
Total net flows	16.7	-0.9	-43.3	-56.8
Change in reserves	-9.0	-1.5	-30.8	-38.2
Latin America and the Caribbean				
Net private capital flows	59.6	36.2	15.2	12.7
Net direct investment	30.8	62.5	34.7	45.4

	Annual average			
	1993-1997	*1998-2002*	*2003*	*2004*
Net portfolio investment[a]	40.3	0.5	-10.1	-14.2
Other net investment[b]	-11.5	-26.7	-9.5	-18.5
Net official flows	2.7	12.2	8.7	-7.3
Total net flows	62.3	48.5	23.9	5.4
Change in reserves	-19.0	3.9	-35.8	-21.9
Economies in transition				
Net private capital flows	8.5	1.0	27.4	13.5
Net direct investment	4.4	7.6	10.0	13.5
Net portfolio investment[a]	-0.2	-3.3	-3.4	-1.4
Other net investment[b]	4.3	-3.4	20.8	1.5
Net official flows	7.2	-0.3	-4.8	0.0
Total net flows	15.8	0.6	22.6	13.5
Change in reserves	-4.9	-9.0	-36.9	-57.1

Source: *World Economic and Social Survey, 2005* (United Nations publication, Sales No. E.05.II.C.1).

[a] Including portfolio debt and equity investment.

[b] Including short-and long-term bank lending, and possibly including some official flows to data limitations.

9. The increase in equity issuance in 2004 and early 2005 was dominated by activity in East and South Asia. Equity issuance in Latin America, in contrast, remained at subdued levels. As in the case of the emerging market bonds, portfolio equities retrenched in the second quarter of 2005.

10. There was a smaller net outflow of other private investment from developing countries as a whole in 2004 as a result of increased international bank lending and reduced deposits by developing countries in international banks. There were significant regional differences, however, with continued net outflow from Latin America and Western Asia but net inflow to East and South Asia.

11. The net outflow of official financing from developing countries continued in 2004 as loan repayment to multilateral development and financial institutions outpaced loan disbursements. The International Bank for Reconstruction and Development has experienced net inflows since the beginning of the 1990s and since 2002 the Asian Development Bank, the European Bank for Reconstruction and Development and the Inter-American Development Bank have all received net inflows (see table 3). Net official flows to all developing countries were negative for the second consecutive year in 2004. Only the Eastern and Southern Asia region experienced positive flows in 2004 (see table 2). This reflects the fact that the multilateral financial institutions are no longer providing net financial resources to developing countries, but are currently net recipients of financial resources.

Table 3
Selected multilateral financial institutions: net transfers of resources, 1990-2004[a]

(Millions of United States dollars)

	1993	*1994*	*1995*	*1996*	*1997*	*1998*	*1999*	*2000*	*2001*	*2002*	*2003*	*2004*
African Development Bank	645.3	557.3	519.7	544.9	542.2	518.3	404.6	235.3	388.9	510.4	358.4	819.7
Asian Development Bank	931.4	1 100.8	793.8	33.6	3 753.9	4 232.6	1 719.0	3.7	464.3	-1 379.9	-5 321.1	-2 019.2
Inter-American Development Bank	-357.0	-1 437.0	-474.0	-439.0	720.0	2 157.0	3 364.0	1 255.0	925.0	-1 292.0	-1 509.0	-3 913.0
European Bank for Reconstruction and Development			761.1	823.8	1 032.9	1 146.0	-159.4	-183.4	359.9	-395.4	-569.8	-565.1
World Bank	-1 177.0	-3 134.0	-2 607.0	-917.0	1 926.0	1 551.0	921.0	-386.0	-540.0	-7 296.0	-6 992.0	-6 075.0
International Bank for Reconstruction and Development	-5 246.0	-8 309.0	-7 033.0	-6 131.0	-2 834.0	-2 723.0	-3 019.0	-4 079.0	-4 970.0	-12 126.0	-11 350.0	-10 084.0
International Development Association	4 069.0	5 175.0	4 426.0	5 214.0	4 760.0	4 274.0	3 940.0	3 693.0	4 430.0	4 830.0	4 358.0	4 009.0
Total	**42.7**	**-2 912.9**	**-1 006.4**	**46.2**	**7 975.0**	**9 604.9**	**6 249.2**	**924.6**	**1 598.1**	**-9 852.9**	**-14 033.5**	**-11 824.6**

Source: Annual reports of the multilateral financial institutions, various issues; The World Bank, *Global Development Finance*, various issues.

[a] Net transfers are defined as loan disbursements less principal repayments/prepayments and interest/charges received.

C. The impact on developing countries of net resource outflows

12. The improvement in net private flows, while substantial, was not sufficient to offset the net outflows due to debt service payments, the rising trade surpluses and negative official flows. The net outward resource transfer from developing to developed countries is usually considered to have a negative impact on domestic growth since the net export of goods and services reduces the resources available for domestic consumption and investment.

13. The rising trade surpluses and increasing net private capital flows to developing countries overall led to a record increase in international reserves of $455 billion in 2004, surpassing the $325 billion increase in 2003. East and South Asia accounted for almost 80 per cent of the increase in reserves. These reserves are mainly held in low-risk and low-yield government securities of developed countries, particularly of the United States of America. It is not clear that the returns on these assets are higher than could be achieved from domestic investment, and in many cases they have a negative return. This occurs when the foreign earnings and capital inflows are sterilized through the issue of domestic bonds that have higher rates of interest than received on the investment of the foreign currency reserves.

14. The decision by some Governments of emerging market economies to stabilize the value of their currencies against the United States dollar is one factor accounting for the record accumulation of international reserves. Another is the perceived need, in the aftermath of the increasingly virulent financial crises of the late 1990s, to protect domestic activity levels from international financial instability. From the perspective of developing countries these policies suggest that the costs of these reserve holdings in terms of foregone domestic investment and imports are more than offset by the benefits of the high export growth resulting from maintaining competitive exchange rates and the cushion provided against volatility of international capital flows.

15. However, the "self insurance" provided by large reserve accumulation could be provided more efficiently by international or regional cooperation in the pooling of resources and multilateral measures to avoid excessively large exchange rate swings. Indeed, one of the original aims of the International Monetary Fund (IMF) was to provide exchange stability through the pooling of member reserves. The persistence of net outflows of financial resources from developing countries along with the continued build-up of reserves suggests that measures should be sought to improve the efficiency of the international financial system and improve the allocation of resources to support development.

II. Strengthening the international financial architecture

16. Prevention and management of financial crises are crucial to ensuring the development benefits of international capital market allocation of financial resources and reducing the incentives for developing countries to hold large reserve balances. Since the Asian crisis, increased attention has been given to the design of measures at the national and international levels aimed at better managing and preventing financial crises.

A. Policies to counter pro-cyclicality of international capital flows

17. One of the major reasons for the financial instability of many middle-income countries is the high volatility of external financial flows. One way of addressing this problem may be for public institutions, including multilateral development banks and export credit agencies, to introduce explicit counter-cyclical elements in the risk evaluations they make for the purpose of issuing guarantees for lending to developing countries. When banks and other private lenders lower their exposure, the public institutions would increase their level of guarantees if the country's long-term fundamentals remained basically sound. When private banks' willingness to lend returned, multilateral development banks or export credit agencies could reduce their exposure.

18. There is also scope for cushioning of emerging market borrowers against adverse economic developments by linking debt payments more directly to the borrower's ability to pay. Some countries have experimented with bonds whose coupon and/or principal payments are linked to the price of their major export commodity and bonds linked to gross domestic product have been issued. Such bonds would allow countries to insure against a broader set of risks and are likely to be more useful for those developing countries with diversified production and exports.

19. The risks faced by developing countries over the business cycle could be better managed through development of domestic capital markets, especially local currency bond markets. Such bond issues would eliminate the currency mismatches that have been a prominent feature of almost every major emerging-market financial crisis of the past decade. Local currency bond markets have expanded rapidly in many Asian and some Latin American economies. For emerging markets as a whole, nearly 90 per cent of the increase in debt securities now reflects domestic issuance and at the end of 2002, domestic bonds accounted for around 80 per cent of total outstanding emerging-market bonded debt. Lending by foreign banks has also shifted from largely dollar-denominated cross-border loans to local currency loans through local affiliates.

20. Given the evidence that capital account liberalization increases macroeconomic volatility, many developing countries have experimented with capital controls. The evidence shows that there has been a slowdown in the removal of capital controls in developing countries since 1998. Capital account regulations could play a role in providing room for counter-cyclical monetary policies that smooth debt ratios and spending and in improving external debt profiles.

21. With the advent of liberalization, both national and international capital markets have tended to become more pro-cyclical, increasing the likelihood of boom-bust cycles. Improving the safeguards against instability calls for a modified approach to prudential regulation with a system-wide perspective.[2] The importance of a macroprudential perspective as a complement to the more traditional microprudential focus is widely recognized. Its objective is to limit the risk of episodes of financial distress with significant losses in terms of real output for the economy as a whole. Consequently, it stresses the need to establish larger margins of safety as financial imbalances build up during the upswing in order both to restrain excesses and to give more scope to support losses in the downturn. This implies introducing some counter-cyclicality into financial regulation that would

compensate for the tendency of financial markets to behave in a pro-cyclical manner.

22. This regulatory approach will be seriously tested for the first time during and after the implementation of the New Basel Capital Accord, which, according to many observers, will increase pro-cyclicality of bank lending especially to developing countries because of its increased risk-sensitivity. To alleviate these concerns, the architects of the New Accord note that supervisory oversight and market discipline should reinforce the incentive for banks to maintain a reserve cushion above the minimum so as to have a margin of protection in downturns. They are also urging financial institutions to adopt risk management practices that take better account of the evolution of risk over time (thus taking better account of the full business cycle) and that are not excessively vulnerable to short-term revisions. It has also been argued that because of the greater disclosure built into Pillar 3 of the New Accord, markets may become less tolerant and more suspicious of risk assessments that are too volatile and lead to substantial upgrades in good times. Nevertheless, the regulators' success in dealing with the problem of pro-cyclicality of the New Accord remains an issue of serious concern.

B. Multilateral surveillance

23. Surveillance of national macroeconomic and, since the Asian crisis, financial policies remains at the centre of crisis prevention efforts. It has been argued, however, that the increasing complexity of financial markets may have rendered the existing instruments of surveillance such as article IV consultations, financial sector stability assessments and programmes, and reviews of the observance of international codes and standards less effective than assumed in identifying and preventing crises.

24. The latest review by IMF of its surveillance activities concluded that they should focus on improving analytical tools for early identification of vulnerabilities, including more rigorous assessments of balance sheet weaknesses and stress testing the impact of possible macroeconomic shocks. To make surveillance more effective, increased focus on country-specific areas of vulnerability is considered necessary. That requires surveillance that is tailor-made to address those macroeconomic issues that are relevant in each member country.

25. In addition, there is a need to better understand the constraints on a country's ability to adopt recommended policies. An appreciation of institutional, social and political realities must underlie policy advice. Also, insufficient attention has been given to ways of improving the scope for countries to adopt counter-cyclical macroeconomic policies in the face of trade and, particularly, capital account shocks. A more explicit focus on ways to enhance such room for manoeuvre would constitute a major advance towards more effective crisis prevention efforts and International Monetary Fund financial support.

26. The publication of article IV surveillance reports and programme documents as a means of increasing the transparency of surveillance is now taken for granted. Increased transparency is thought to help improve both countries' policies and the quality of the Fund's work. However, greater transparency may impede the Fund's role as a provider of candid and frank advice. Hence, in handling sensitive topics

during surveillance exercises, there is a need for an appropriate balance between candour and confidentiality.

27. The Fund's ability to influence policies through surveillance is most limited with regard to large non-borrowing, mostly developed countries. At the same time, these countries have the greatest global impact. Consequently, the role of IMF in macroeconomic surveillance of major economies and as an honest broker in policy coordination among these countries deserves special attention. Despite the problems of representation, IMF is the only institution where developing countries have a voice in assessing the macroeconomic imbalances of major economies and could eventually have a voice on global macroeconomic policy consistency.

28. There is thus a need to reinforce the role of the Fund in the management of the international monetary system to allow it to be more active in supporting the management of the world economy rather than being confined to the provision of occasional lending to middle-income countries hit by financial crises and balance-of-payments financing for low-income countries.

C. International official emergency financing and precautionary financial arrangements

29. Enhanced provision of emergency financing at the international level in response to external shocks is essential to lower unnecessary burdens of adjustment and the costs of large reserve balances. Appropriate facilities should include liquidity provision to cover fluctuations in export earnings, particularly those caused by unstable commodity prices, sudden stops in external financing and, as recently emphasized, natural disasters.

30. The evidence of the adverse effects of terms of trade shocks on economic growth is strong. Particularly important is the finding that their effects on growth and poverty reduction can be very large. However, the major IMF facility to compensate for terms of trade shocks, the Compensatory Financing Facility, has become increasingly ineffective. Since its modification early in 2000, which basically tightened conditionality for access, the Facility has not been used in spite of the additional shocks affecting developing countries.

31. During the 1990s, capital account liberalization and high capital account volatility greatly increased the need for official liquidity to deal with sudden and large reversals of flows. There is an increasing consensus that many of the recent crises in emerging markets have been triggered by self-fulfilling liquidity runs rather than fundamental disequilibria or incorrect policies. Indeed, capital outflows can be provoked by many factors not related to countries' policies. Among those factors are changes in financial conditions in industrial countries, the pro-cyclical behaviour of capital markets and contagion effects.

32. The enhanced provision of emergency financing in the face of capital account crises is important not only to manage crises when they occur, but also to prevent such crises and to avoid contagion. Indeed, lending of last resort at the national level is essentially conceived as a tool for crisis prevention, particularly to avoid systemic crises.

33. To address this obvious need, IMF has made efforts in recent years to improve its lending policy during capital account crises. The Supplementary Reserve

Facility, established in 1997, provides larger and more front-loaded financing to countries hit by a capital-account crisis, at a higher interest rate, than other Fund facilities. Also, in some cases the Fund has softened its requirements and accelerated approval for the renewal of credits extended under this facility, as occurred with Brazil in 2003 and 2004.

34. However, actions of this nature in favour of some large emerging economies have led to criticism by some IMF members of exceptional access being granted to Fund resources in the absence of an agreement on the conditions that determine eligibility for such special treatment. In February 2003, the IMF Executive Board approved a new framework on exceptional access in a capital account crisis, which includes the following criteria for eligibility: exceptionally large need; a debt burden that will be sustainable under reasonably conservative assumptions; good prospects of regaining access to private capital markets during the period of the IMF loan; and indications that the country's policies have a strong chance of succeeding.

35. A major problem of many recent Fund-supported programmes, especially in cases of capital account crisis, has been the lower than expected levels of private financing, resulting in sharper and more abrupt current account adjustment and steep output declines. Past experience has shown that the catalytic effects of IMF financing on private capital flows works only in rather rare situations when there is no doubt about debt and exchange rate sustainability. This means that a further analysis of the optimal mix between financing and adjustment, as well as the catalytic effects of Fund-supported programmes, is required.

36. The evidence that even countries with good macroeconomic fundamentals may be subject to sudden halts in external financing also gave broad support to the idea that a precautionary financial arrangement, closer to the "lending of last resort" functions of central banks, should be created. The goal would be to establish a mechanism capable of delivering a "pre-emptive strike" to prevent self-fulfilling liquidity crises.

37. The first instrument created for this purpose, the Contingent Credit Line, was never used and was discontinued in November 2003. IMF is now exploring the possibility of adopting stand-by arrangements that are typically used to counter balance-of-payments pressures in the current account to the needs of countries facing potential capital account shock, including the possibility of exceptional access. However, such precautionary arrangements with exceptional access could increase the risk of moral hazard.

D. Strengthening IMF financing of poor countries

38. In September 1999, IMF transformed the Enhanced Structural Adjustment Facility into the Poverty Reduction and Growth Facility (PRGF) for lending operations in its poorest member countries. PRGF-supported programmes are framed around Poverty Reduction Strategy Papers, the major policy instrument for concessional lending from both IMF and the World Bank, as well as for debt relief under the Heavily Indebted Poor Countries Initiative. In the case of IMF, PRGF-supported programmes are designed to cover mainly areas within the primary responsibility of the Fund, such as exchange rate and tax policy, fiscal management, budget execution, fiscal transparency and tax and customs administration. As of March 2005, 78 low-income countries were eligible for PRGF assistance. At the end

of February 2005, total loan resources provided by PRGF creditors amounted to SDR 15.8 billion, of which SDR 13.3 billion had already been committed and SDR 11.7 billion disbursed.

39. A major issue under debate is how to improve existing arrangements to help low-income countries to deal with shocks. One of the most appropriate mechanisms could be to increase significantly access under the PRGF arrangements (called PRGF augmentation in recent IMF analysis), to diminish conditionality and to make conditionality more supportive of growth and poverty reduction. A significant matter of concern would then be whether the resources available for PRGF are sufficient to meet the liquidity needs of low-income countries facing external shocks.

40. For low-income countries that do not have PRGF arrangements, but are eligible for this facility (around half), there are a number of options for financing shocks outside their control. One option could be to liberalize access to the Compensatory Financing Facility, liberalize its conditionality and introduce a subsidy element into it for low-income countries. Another option would be for PRGF eligible countries which do not have such a programme to be granted subsidized loans from the Fund via a stand-by like window, within the PRGF Trust.

41. Low-income countries are also vulnerable to natural disasters. In early 2005, IMF agreed to subsidize emergency assistance for natural disasters to PRGF-eligible members. However, the total amount allocated is very limited, and has mostly been used up in the first few months.

E. Conditionality of IMF lending

42. As important as IMF lending facilities is the conditionality attached to them. Conditionality in IMF-supported programmes was introduced in the 1950s and incorporated as a requirement into the Articles of Agreement in 1969. Until the 1980s, conditionality mainly focused on monetary, fiscal and exchange rate policies. However, in the late 1980s, and especially in the 1990s, IMF financing was also increasingly made conditional on structural changes involving policy processes, legislation and institutional reforms. This resulted in a significant increase in the average number of structural conditions in Fund-supported programmes, which climbed from two to three per year in the mid-1980s to 12 or more by the second half of the 1990s. This change was also reflected in increasing numbers of performance criteria, structural benchmarks and prior actions.[3]

43. The increase in the number of structural conditions raised concerns that IMF was exceeding its mandate and expertise. It has also been argued that the structural policy conditions attached to IMF loans were too numerous and detailed to be fully effective. Indeed, the rate of member countries' compliance with Fund-supported programmes fell from over 50 per cent in the late 1970s and early 1980s to around 16 per cent in the 1990s, if compliance is defined as that which permitted the full disbursement of the loan.

44. There were also concerns that excessive conditionality might undermine the national ownership of programmes, thereby impeding their implementation. It has become clear that lack of real domestic ownership is the most important obstacle to

effective programme implementation, and that conditionality is not a substitute for Government commitment.

45. In response to these concerns, in September 2002, the IMF Board of Governors approved new conditionality guidelines, the first revision since 1979. The basic objective of the 2002 guidelines is to streamline conditionality and enhance programme ownership. Accordingly, conditionality is to be focused on policies essential to restoring and maintaining macroeconomic stability and growth, and better tailored to the country's circumstances. Structural issues are to be covered only if critical for these objectives. In this regard, the new guidelines stress a test of "criticality" for any variable selected for conditionality. The guidelines also stress the need to seek national ownership of programmes, but they do not provide any formal guidance on how to identify and foster domestic ownership of sound policies.

46. Progress in implementing the new guidelines is difficult to assess. Since 2000-2001, the first phase of the "streamlining" initiative, the number of conditions per programme has not declined but stayed fairly constant at about 15 per year, which is similar to the average of the 1990s.

47. A key challenge is to determine which actions are critical to the success of programmes. There appears to be no consensus among IMF Executive Directors regarding the extent to which structural conditionality should be streamlined. Also, IMF staff may have different views on the new policy. This can at least partly explain why conditionality streamlining has been so slow.

48. Another concern is that reducing the number of structural conditions in Fund-supported programmes may lead to an expansion of conditionality by the World Bank, with the aggregate conditionality burden remaining unchanged or even increasing. There are differences in mandates, cultures and structures between the two organizations. Finding the appropriate collaborative framework is an issue of great priority.

F. Sovereign debt restructuring

49. A number of proposals have been discussed in the international financial community to provide a more orderly resolution of financial crises caused by excessive external indebtedness. A sovereign debt restructuring mechanism, collective action clauses in sovereign bond contracts and a code of conduct for private creditors and sovereign debtors have all been proposed.

50. In 2001, IMF reformulated proposals for a debt workout mechanism based on private sector bankruptcy legislation in the form of the sovereign debt restructuring mechanism. The proposal sought to provide a legal framework to deal with restructuring of debt in an orderly manner. It met with opposition by private and Paris Club creditors, as well as by some developing countries that preferred voluntary arrangements.

51. Collective action clauses enable a qualified majority of bondholders to make decisions that become binding on all bondholders and specify voting rules. This allows Governments facing difficulty in servicing their bonded debt to declare a standstill without exposing themselves to disruptive legal actions.

52. In 2004 and the first quarter of 2005, close to 90 per cent of sovereign bond issues, in value terms, governed by New York law included collective action clauses. The share of issues with such clauses in the total value of the outstanding stock of sovereign bond issues from emerging market countries grew from 39 per cent at the beginning of 2004 to 47 per cent at the end of February 2005. The inclusion of collective action clauses has not led to an increase in the cost of borrowing.

53. One difficulty with reliance on collective action clauses as a substitute for the creation of a more formal mechanism is that only newly issued bonds would contain such clauses, so that it would only resolve the collective action problems once all outstanding bonds are retired. Experience with the aggregation, facilitated by collective action clauses, of a large number of dispersed individual claims has been limited to countries that have issued bond debt on a relatively small scale, such as Ecuador, Moldova, Pakistan, Ukraine and Uruguay. It remains to be seen if the problems of aggregation can be resolved for larger sovereign debtors.

54. The objective of the code of conduct for private creditors and sovereign debtors is to develop a comprehensive voluntary framework to address potential debt servicing problems while preserving contractual arrangements to the maximum extent possible. The idea is to have a voluntary dialogue between debtors and creditors to promote corrective policy action to reduce the frequency and severity of a crisis and establish procedures which would lead to an orderly debt workout. The International Monetary and Financial Committee of the IMF Board of Governors and the Group of Seven finance ministers encouraged sovereign debtors and private creditors to continue their work on the voluntary code of conduct.

55. The voluntary code of conduct is perceived by debtors as a framework in which they can formally engage creditors and provide information to them. It is expected that an early dialogue between issuers and investors will lead to a quick rehabilitation of debtors and restore market access. Whether voluntary efforts along these lines, can provide a sufficiently strong basis for an effective crisis resolution mechanism has yet to be tested.

G. The role of Special Drawing Rights in the international financial system

56. The creation of Special Drawing Rights (SDRs) in 1969 was an important advance in the design of the international financial system. No allocations of SDRs to IMF member countries have been made since 1981. The IMF's Board of Governors did approve in 1997 a special one-time allocation of SDRs that would have doubled cumulative SDR allocations to SDR 42.9 billion and would have corrected the fact that new IMF members (since 1981) have never received an SDR allocation. However, this decision has not yet been put into effect.

57. The cessation of SDR allocations had negative effects for developing countries, as it coincided with the growing demand for international reserves noted in section I above. There are therefore clear benefits from internationally issued reserves which, together with emergency financing during crises, would provide developing countries a "collective insurance" that is cheaper and therefore more efficient than "self-insurance" via foreign exchange reserve accumulation.

58. Proposals to renew SDR allocations have been increasing in recent years. They follow two different models. The first calls for SDRs to be issued on a temporary basis during episodes of financial stress, to be destroyed once financial conditions normalize. This would introduce a counter-cyclical element in world liquidity management, as sudden drops in private lending would be partly compensated by increased official liquidity. Total long-term liquidity would not increase, since normalization of private lending would imply a cancellation of those SDRs issued during the preceding crisis. Output in developing countries currently lowered by temporary shocks would be higher than otherwise, and the risk of additional world inflation would be minimal.

59. This proposal would solve the problems of adequately financing needs for extraordinary and temporary official liquidity, but not the distributive issues associated with uneven distribution of seigniorage benefits. The solution to this problem requires permanent SDR allocations. Such allocations could go (directly or indirectly) to developing countries only or to the entire Fund membership. The former would favour the countries most in need. Alternatively, SDRs allocated to industrial countries could be used to finance important international objectives, particularly increased international development cooperation. Given the small size of the increase relative to global liquidity this should have little impact on global financial stability.

H. Increasing South-South cooperation in the international monetary system

60. The large build-up in reserves in many developing countries could be used to enhance South-South cooperation by supporting regional and subregional development banks such as the Arab Bank for Economic Development in Africa, the Islamic Development Bank, the Caribbean Development Bank and the Andean Finance Corporation, or regional development funds such as the International Fund for Agricultural and Rural Development, the Arab Fund for Economic and Social Development and the Organization of Petroleum Exporting Countries (OPEC) Fund.

61. Alternatively the creation of regional reserve funds provides a possible complement to multinational and national mechanisms and reduce the need for extra reserve balances to insure against capital account crises. The large currency crises of the last decade have been regional in nature. Despite contagion, critical demands for funds are not simultaneous and this suggests a useful role for regional reserve funds as a first line of defence during crises. Besides, regional institutions can play a stronger role in relation to small and medium-sized countries, which usually get less attention than larger countries and have a weaker bargaining position with multilateral institutions. Greater attention, especially in East Asia, to the formation of regional financial arrangements may also reflect the slow pace of reform of the international financial system, and particularly the limitations of multilateral official emergency lending.

62. Existing regional financial arrangements among developing countries are in an embryonic stage. The valuable role that regional reserve funds can play is illustrated by the Latin American Reserve Fund formerly the Andean Reserve Fund. Its main function is the provision of short-term liquidity support to countries in crises. Though the total of its loans has been relatively small (between 1979 and 2004, it

disbursed loans of $4.9 billion), its provision of exceptional financing was equal to 60 per cent of the amount lent by IMF to the Andean countries during the same period. In some instances, this institution was the only one to grant loans, as in the case of Peru in 1988, at a time when IMF was not lending at all. Disbursements of loans have always been rapid.

63. After the East Asian crisis, an Asian monetary fund was considered. Though the proposal was well received throughout the region, only a more modest version was created in 2000, when the Association of Southeast Asian Nations, China, Japan and the Republic of Korea created a system of bilateral currency swap arrangements known as the Chiang Mai Initiative. They also institutionalized meetings of finance ministers for policy dialogue and coordination, and are working on a plan to establish a surveillance system.

64. Under the initiative, disbursement of 20 per cent of the maximum drawing would be automatic. Since a country drawing more than 20 per cent is placed under an IMF programme, the Chiang Mai Initiative should be considered as complementary to IMF facilities. Its efficacy in responding rapidly to crises has not yet been tested. There is an understanding that the multilateralization of the bilateral swap arrangements that would be required to solve the problems related to the slow speed in arranging series of bilateral swaps would involve a more formalized and rigorous surveillance system.

I. Enhancing the voice and participation of developing countries in international financial decision-making

65. The Monterrey Consensus stresses the need to broaden and strengthen the participation of developing countries and countries with economies in transition in international economic decision-making and norm setting. It encouraged the Bretton Woods institutions to continue to enhance the participation of all developing and transition economies in their decision-making. However, the Consensus goes beyond the Bretton Woods institutions and highlights the need to extend the discussion of voice and participation to other policymaking bodies, including informal and ad hoc groups.

66. The Bretton Woods institutions have taken limited action to make the participation of developing countries more effective, inter alia strengthening the offices of African directors in IMF and establishing an Analytical Trust Fund to support the African chairs at the World Bank. Also, modalities for consultations in the Basel Committee on Banking Supervision and the Financial Stability Forum have widened.

67. Nevertheless, there has been little progress in the crucial issue of participation of developing countries in decision-making. For instance, all members of the Basel Committee are developed countries: 10 Western European countries, Canada, Japan and the United States. There is no representation of developing countries in the Committee, although it does liaise with developing and transition economies. However, consultations are no substitute for having a seat at the decision-making table. A Basel Committee with more appropriate representation could not only result in a fairer system, but in better regulation leading to a more stable financial system with welfare-enhancing effects for all.

68. The question of strengthening representation of developing countries is now clearly on the agenda of the Bretton Woods institutions. The report of the IMF Executive Board to the International Monetary and Financial Committee of 24 September 2004 on quotas, voice and representation (IMF document IMF/Doc/10/04/4) lays out the elements that would need to be considered to make additional progress on these questions: a general quota increase with a relatively large selective element allocated by means of a new quota formula; ad hoc quota increases with the objective of addressing the clearest cases where the relation between quota and economic size is significantly out of line; and an increase in basic votes to correct the erosion of voting power of countries with small economies.

69. The way quotas are calculated is central to the relative voting power of individual countries and country groupings. Also, the individual country quota determines the amount of financing the country can obtain from the Fund. Currently, the formula to calculate the quota includes gross domestic product or gross national income at market exchange rates, current account transactions, official reserves and a measure of variability of receipts in foreign currency (e.g. exports of goods and services plus income revenues).

70. Without changing the Articles of Agreement,[4] there could be several modifications to the method of calculating the quota that would lead to a comparatively larger share for developing countries as a whole. Those widely mentioned in current discussions include: using the gross national income measured in purchasing power parity instead of gross national income at average exchange rates as a measure of economic size in the quota formula; excluding the volume of trade among members of the European Union that adopted the euro, as such trade does not generate potential balance-of-payments difficulties; and increasing the coefficient assigned in the quota formula to the indicator of variability of receipts.

71. The first of the aforementioned factors could be the most critical in redefining quotas. As table 4 indicates, the use of purchasing power measures of gross national income would increase the quota of developing countries. Most of the increases in the quota share would go to developing Asia countries and, particularly, to China, India and Korea. Indeed, the quota share of developing Asia is barely 17 per cent while its share of gross national income (purchasing power parity) is 28 per cent. This would require, as figures also suggest, a significant adjustment of the share of the European countries, whose quota share as a whole is one and a half times their share of gross national income (purchasing power parity).[5] In any event, a sizeable quota increase with a substantial component targeted to improve the position of developing countries would be necessary to move in the desired direction. An adjustment in relative positions can only be implemented by measurable increases for countries whose calculated quota is higher than actual quota unless those countries with lower calculated quota than actual quota accept a lower absolute quota.

Table 4
Shares in world total of IMF quotas and gross national income (purchasing power parity), 2002

Country or region	*Per cent share of total IMF quotas*	*Per cent share of world gross national income (purchasing power parity)*
United States	17.4	21.5
Japan	6.2	7.1
European Union 25	32.2	22.5
Other European	8.5	5.9
Australia, Canada, New Zealand	4.9	3.3
Subtotal	**69.2**	**60.3**
Developing countries	30.8	39.8
Memorandum item		
Brazil	1.4	2.8
China	3.0	12.2
India	2.0	5.8
Republic of Korea	0.8	1.7

Source: IMF, *International Financial Statistics*; World Bank, World Development Indicators 2004; and estimates by the Department of Economic and Social Affairs.

72. Enhanced representation of countries with small economies can only be achieved by restoring basic votes to close to their original weight. Basic votes initially accounted for about 11 per cent of total voting power in the Fund. With the increases in quotas since the creation of the Fund and no adjustment in basic votes, the latter now represent only 2 per cent of total voting power. This 2 per cent is even more insignificant when the increased size of the IMF membership is taken into account.

73. In the end, adjusting the way the variables are defined and the magnitude of the coefficients used for each variable in the quota formula depends on acceptance by the members of the IMF Board and, by analogy, of the World Bank. This, as well as changes in representation in other international financial institutions, essentially requires political determination, which is still lacking.

II. Policy conclusions

74. **Developing countries continue to experience net outflows of financial resources despite their lack of sufficient resources to fully exploit their growth potential. For many countries this represents a preference for liquid foreign reserve balances to protect against the volatility of international capital flows and the resulting vulnerability to financial crisis. Measures to increase the stability of the international financial system and to provide more attractive means to access liquidity in periods of turbulence would reduce the attractiveness of large individual country reserve balances.**

75. Part of the outflow of resources from developing countries is represented by a build-up of reserves in multilateral development banks. Steps should be taken to ensure that these funds continue to be used to support growth and poverty reduction in the poorest developing countries and provide liquidity support mechanisms in middle-income countries.

76. In recent years, developing countries have taken a wide range of measures to counter the pro-cyclicality of international capital flows. Nevertheless, these countries remain highly vulnerable to global uncertainties and risks. The transformation of the global financial system has increased the likelihood of boom-bust cycles. This calls for the introduction of a modified, system-wide approach to prudential regulation which takes into account the macroeconomic consequences of financial imbalances and the inherent pro-cyclicality of financial markets.

77. Multilateral surveillance remains at the centre of crisis prevention efforts. With the advent of financial globalization, surveillance should focus not only on crisis-prone countries but increasingly on the stability of the system as a whole, with special emphasis on the policy consistency of major economies.

78. Greater volatility of liberalized capital accounts has increased the need for official liquidity. The availability of emergency financing at the international and regional levels contributes significantly to both crisis prevention and management. There is the need for easier, more automatic and rapid access to liquidity support. By increasing available financing, as well as reducing its conditionality, the burden of adjustment can be eased significantly.

79. Collective action clauses that make it easier to restructure sovereign bonded debt have become the market standard. At the same time, there has been much less progress in providing institutional mechanisms for the debt problems facing middle-income countries. Efforts should continue to reach agreement on a mechanism that ensures fair burden sharing between debtors and creditors.

80. Voice and effective participation are issues that go to the centre of the international financial institutions' legitimacy, relevance and effectiveness. Over the past several years, there have been extensive, mostly technical discussions of the issue, but very little progress. While such discussions can be useful in elaborating the details of various proposals, real changes in representation can only be achieved through fundamental reform that has to come from political leaders.

Notes

[1] The net financial transfer of resources statistic adds together receipts of foreign investment income and financial inflows from abroad minus payments of foreign investment income and financial outflows, including increases in foreign reserve holdings. The net financial transfer of a country is thus the financial counterpart to the balance of trade in goods and services. A trade surplus is generated when the total value of domestic production exceeds domestic consumption and investment, with the excess invested abroad instead of being used domestically and vice versa for a trade deficit.

[2] For an extensive discussion of changes in the structure of financial markets and implications for prudential regulation and supervision, see *World Economic and Social Survey 2005: Financing for Development* (United Nations publication, Sales No. E.05.II.C.1), chaps. I and VI.

[3] "IMF approves new conditionality guidelines ...", *IMF Survey*, vol. 32, Supplement 2003, 15 September 2003.

[4] A decision to increase the number of basic votes would also lead to an increase in the share of the voting power of developing countries, in particular of the small-economy countries (see para. 72). However, such a decision requires an amendment to the IMF Articles of Agreement.

[5] Several observers have suggested that this should be seen in the context of European Union policies and the possibility of one chair representing the Union.

United Nations A/60/164

General Assembly

Distr.: General
25 July 2005

Original: English

Sixtieth session
Items 107 and 109 of the provisional agenda*
Crime prevention and criminal justice

Measures to eliminate international terrorism

Strengthening international cooperation and technical assistance in preventing and combating terrorism

Report of the Secretary-General

Summary

The present report, prepared pursuant to General Assembly resolution 59/153 of 20 December 2004, reviews the progress made in the delivery of technical assistance by the United Nations Office on Drugs and Crime in the context of the Secretary-General's comprehensive global strategy against terrorism and his report entitled "In larger freedom: towards development, security and human rights for all" (A/59/2005 and Add.1-3). In addition, relevant highlights of the debate during the Eleventh United Nations Congress on Crime Prevention and Criminal Justice and the fourteenth session of the Commission on Crime Prevention and Criminal Justice are included. The report also includes a summary of the responses received from Member States on the implementation of resolution 59/153.

* A/60/150.

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Contents

		Paragraphs	Page
I.	Introduction	1	3
II.	Major substantive developments	2-19	3
	A. Development of a global comprehensive response to terrorism	2-3	3
	B. Counter-Terrorism Committee of the Security Council and its Executive Directorate	4-5	4
	C. Eleventh United Nations Congress on Crime Prevention and Criminal Justice	6-10	4
	D. Commission on Crime Prevention and Criminal Justice	11-12	5
	E. An integrated approach to combating terrorism: the rule of law and international cooperation	13-19	6
III.	Technical assistance delivery	20-48	7
	A. Bilateral, subregional and regional initiatives	21-30	7
	B. Enhanced action through presence in the field and working in partnership	31-38	10
	C. Technical assistance tools	39-44	11
	D. Assessing impact and measuring results	45-46	12
	E. Resources	47-48	13
IV.	Summary of responses received from Member States	49-56	14
V.	Conclusions and recommendations	57-62	15

I. Introduction

1. In its resolution 59/153 of 20 December 2004, the General Assembly requested the United Nations Office on Drugs and Crime (UNODC) to intensify its efforts to provide technical assistance, upon request, in preventing and combating terrorism through the implementation of the universal instruments related to terrorism; and requested the Secretary-General to report to it at its sixtieth session on the implementation of the resolution. The present report has been prepared pursuant to that request.

II. Major substantive developments

A. Development of a global comprehensive response to terrorism

2. The terrorist attacks of the past year, including the hostage-taking in Beslan, Russian Federation, in September 2004 and the recent bombings in London in July 2005, once again brought the urgency of addressing the threat of international terrorism to the attention of the international community. The attacks again underlined the threat terrorism posed to the principles enshrined in the Charter of the United Nations: respect for human rights; the rule of law; protection of civilians; tolerance among peoples and nations; and the peaceful resolution of conflict. Recognizing terrorism as one of the major challenges facing the international community, the High-level Panel on Threats, Challenges and Change, in its report entitled "A more secure world: our shared responsibility" (A/59/565 and Corr.1), states that the United Nations should promote a comprehensive strategy that incorporates, but is broader than coercive measures. The Secretary-General presented the basic elements of such a strategy, the Global Strategy for Fighting Terrorism, during the International Summit on Democracy, Terrorism and Security, held in Madrid from 8 to 11 March 2005. That principled, comprehensive counter-terrorism strategy is characterized by the five "Ds": dissuading disaffected groups from choosing terrorism as a tactic to achieve their goal; denying terrorists the means to carry out their attacks; deterring States from supporting terrorists; developing state capacity to prevent terrorism; and defending human rights in the struggle against terrorism. In his report of 21 March 2005, "In larger freedom: towards development, security and human rights for all" (A/59/2005 and Add.1-3), the Secretary-General further elaborated on the five pillars upon which the strategy should be based. UNODC is fully geared towards ensuring implementation of the strategy, especially those elements where it has relevant mandates and offers significant comparative operational advantages. The Office is particularly experienced in work pertaining to the development of state capacity to prevent terrorism, especially through the provision of legal technical assistance to requesting Member States and the promotion of international cooperation in criminal matters.

3. The Secretary-General has recently constituted an implementation task force to coordinate system-wide efforts to implement his strategy, which replaces the Policy Working Group on the United Nations and Terrorism. UNODC, which is an integral part of the implementation task force, was also actively and regularly

involved in the work of the Policy Working Group and has provided substantive contributions to both bodies.

B. Counter-Terrorism Committee of the Security Council and its Executive Directorate

4. During the past year, the Counter-Terrorism Committee established pursuant to Security Council resolution 1373 (2001) of 28 September 2001 has reinforced and strengthened its crucial work. In addition, its Executive Directorate has become fully operational, including with regard to conducting needs assessment missions. It was established as a special political mission to enable the Counter-Terrorism Committee to monitor effectively the implementation of resolution 1373 (2001) by Member States.

5. The technical assistance activities of the Terrorism Prevention Branch of UNODC, undertaken in close coordination with the Counter-Terrorism Committee and its Executive Directorate, are aimed at complementing the normative, policy and monitoring functions of the Committee and its Executive Directorate. The Executive Directorate, inter alia, analyses mandated reports from Member States and facilitates and coordinates the provision of technical assistance to requesting States. UNODC delivers requested legislative and advisory services, drawing on its specialized substantive expertise and comparative advantages. Where appropriate, representatives from the Committee and its Executive Directorate and the Office participate in and provide substantive input to the work of the other body. The Office has participated in the needs assessment missions of the Committee to Albania and Thailand. To ensure optimal coordination, a working arrangement has been set up between the Committee and UNODC.

C. Eleventh United Nations Congress on Crime Prevention and Criminal Justice

6. Countering terrorism featured prominently on the agenda of the Eleventh United Nations Congress on Crime Prevention and Criminal Justice, held in Bangkok from 18 to 25 April 2005.[1] The Eleventh Congress considered an agenda item on international cooperation against terrorism and links between terrorism and other criminal activities in the context of the work of UNODC. In addition, a workshop was held on measures to combat terrorism, with reference to the relevant international conventions and protocols. Countering terrorism was also a major theme during the high-level segment of the Eleventh Congress.

7. The Eleventh Congress adopted the Bangkok Declaration on Synergies and Responses: Strategic Alliances in Crime Prevention and Criminal Justice,[2] in which it called upon States to become parties to and implement the universal instruments against terrorism and expressed support for the continuing efforts of the Office within its mandate and in coordination with the Counter-Terrorism Committee and its Executive Directorate, to assist States in their efforts to ratify and implement the instruments, through the provision of technical assistance upon request. Such actions would obviously serve to strengthen state capacity to counter terrorism.

8. The high-level segment of the Eleventh Congress strongly stated its belief that terrorism was a major threat to international peace and security. There was also unanimous recognition that terrorism was a global threat that required a common, concerted, coordinated and comprehensive international response. The Eleventh Congress welcomed the comprehensive strategy against terrorism drawn up by the Secretary-General and stressed the role of international cooperation in combating terrorism, condemning terrorism in all its forms and manifestations.

9. The Eleventh Congress also called for the speedy ratification and full implementation of the universal counter-terrorism instruments and the completion of the draft comprehensive convention on international terrorism, also drawing on the report of the Secretary-General of 21 March 2005 (A/59/2005), which provided a good basis on which agreement between all States could be achieved. The report was also referred to in the context of the need to ensure the compatibility of counter-terrorism measures with international human rights law. The Eleventh Congress recommended that the United Nations intensify its efforts in providing assistance and technical cooperation, in particular to countries emerging from conflict, including through developing and implementing assistance tools.

10. During the Workshop on Measures to Combat Terrorism, with reference to the Relevant International Conventions and Protocols, the Eleventh Congress addressed a number of issues, including the need for the following: establishing a fully functional international legal regime against terrorism as a basic preliminary requirement for combating and preventing international terrorism; and strengthening national mechanisms and arrangements for international cooperation in criminal matters. There were also strong calls for UNODC to intensify training of criminal justice officers on the basis of a comprehensive global strategy of fighting terrorism that would take into account the need to reinforce concerted actions at national, regional and international levels, where at the same time addressing root causes, fundamental human rights and the rule of law.

D. Commission on Crime Prevention and Criminal Justice

11. The issue of terrorism was one of the major issues addressed by the Commission on Crime Prevention and Criminal Justice at its fourteenth session. The Commission recommended to the Economic and Social Council a draft resolution for adoption by the General Assembly, entitled "Strengthening international cooperation and technical assistance in promoting the implementation of the universal conventions and protocols related to terrorism within the framework of the activities of the United Nations Office on Drugs and Crime".[3]

12. During the deliberations of the Commission, the comprehensive strategy against terrorism proposed by the Secretary-General was welcomed and the crucial role of the rule of law and functioning criminal justice systems underlined. The Commission expressed satisfaction for the work of the Terrorism Prevention Branch of UNODC and appreciation for the technical assistance tools developed by the Office, including the legislative guides. It also stressed the central role of the United Nations in the fight against terrorism and in promoting international cooperation. During the deliberations, additional activities were suggested in which the Terrorism Prevention Branch might be involved. There was also a call to the international

community to provide adequate financial resources for the Branch to carry out its tasks effectively.

E. An integrated approach to combating terrorism: the rule of law and international cooperation

13. Within the context of the overall work of UNODC in its efforts to combat terrorism, the close connection between international terrorism and transnational organized crime has been recognized. In its resolution 1373 (2001), the Security Council noted that connection and emphasized the need to enhance coordination of efforts at the national, subregional, regional and international levels. The High-level Panel on Threats, Challenges and Change noted that, at present, more than ever before, security threats (including terrorism and organized crime) were interrelated (A/59/565 and Corr.1, para. 17). The Secretary-General also reiterated that the threat of terrorism was closely linked to that of organized crime, which was growing and affected the security of all States. Organized crime contributed to state weakness, impeded economic growth, fuelled many civil wars and provided financing mechanisms to terrorist groups (A/59/2005 and Add.1-3, para. 95).

14. Those links call for international, regional and national responses to take into account and combine the lessons learned from fighting each type of crime. The international community, as well as national Governments, can benefit from using the legal tools initially developed to combat transnational organized crime and money-laundering when they are fighting terrorist groups and their means of support.

15. In its resolution 59/153 of 20 December 2004, the General Assembly requested UNODC to pursue an integrated, synergistic approach in the delivery of technical assistance to requesting States, taking into account the links that existed between terrorism and other forms of crime.

16. The absence of the rule of law provides ideal conditions for the blending of criminal and terrorist activities. The Office's technical assistance activities in the general area of criminal justice reform include a focus on the modernization of criminal justice processes, the strengthening of judicial integrity and the improvement of the treatment of witnesses, victims and offenders in line with the United Nations standards and norms in crime prevention and criminal justice. They provide indirect support to counter-terrorism strategies by reinforcing the capacity of Member States in the fight against terrorism and do so moreover in compliance with the rule of law.

17. In the context of the focused work by the Office on the implementation of the universal instruments related to terrorism, every effort is made to fully integrate the rule of law and human rights aspects. In the draft resolution mentioned in paragraph 11 above, the General Assembly would recognize the role of fair and effective criminal justice systems within the overall framework of the rule of law as an integral component of any strategy to counter terrorism; and would request the Office, whenever appropriate, to take into account, in its technical assistance programme to counter terrorism, the elements necessary for building national capacity in order to strengthen criminal justice systems and the rule of law with a view to facilitating effective implementation of the universal conventions and

protocols related to terrorism and relevant Security Council resolutions. The Office has formulated a project component that seeks to reinforce the rule of law elements in providing legal technical assistance to requesting States for becoming party to and implementing the universal instruments related to terrorism. In that respect, close working relations are maintained with the Office of the United Nations High Commissioner for Human Rights, with the aim of developing capacity to offer States technical assistance on the implementation of the universal instruments related to terrorism in compliance with the rule of law and human rights protection in particular.

18. The High-level Panel on Threats, Challenges and Change has also pointed out that no State, no matter how powerful, can by its own efforts alone make itself invulnerable to present-day threats. Every State requires the cooperation of other States to make itself secure. It is in every State's interest, accordingly, to cooperate with other States to address their most pressing threats, because doing so will maximize the chances of reciprocal cooperation to address individual threat priorities (A/59/565 and Corr.1, para. 24).

19. In that regard, UNODC, with its substantive and extensive expertise on international cooperation, has a competitive advantage to assist States in developing treaty relations at the various levels, in particular on the basis of the revised manuals on the Model Treaty on Extradition (General Assembly resolutions 45/116, annex, and 52/88, annex) and on the Model Treaty on Mutual Assistance in Criminal Matters (Assembly resolutions 45/117, annex, and 53/112, annex I). In that context, the United Nations Convention against Transnational Organized Crime (resolution 55/25, annex I) and the United Nations Convention against Corruption (resolution 58/4, annex) reflect in many ways the state of the art of international cooperation in criminal matters. However, most States rely on domestic legislation to enact international cooperation modalities into law and in that context international cooperation depends almost entirely on the effectiveness of national legal systems. Consequently, UNODC will continue to cooperate with States in establishing the required legislative framework for effective international cooperation in criminal matters related to terrorism and will assist in building the required capacity to implement those measures.

III. Technical assistance delivery

20. It is within the context described above that UNODC pursues its technical assistance activities. Pursuant to its mandate, the Office works to promote wide adherence to the universal instruments related to terrorism and to provide legal advice on domestic implementing legislation necessary to make those instruments effective.

A. Bilateral, subregional and regional initiatives

21. During the year under review, direct bilateral cooperation missions were conducted to 22 requesting countries.[4] The missions focused mainly on providing legal advisory services on the incorporation of the relevant provisions contained in the international instruments into national legislation, as well as assistance for the

implementation of the legislation, including international cooperation mechanisms. In some cases, UNODC experts provided States with the elements for completing reports to the Counter-Terrorism Committee in response to Security Council resolution 1373 (2001). Since the launch of the global project on strengthening the legal regime against terrorism in January 2003, the Terrorism Prevention Branch of UNODC has provided support to more than 100 countries either directly or through regional initiatives.

22. Efforts were also made by UNODC to outline regional activity frameworks under its global project to strengthen the legal regime against terrorism. The aim of those regional components was to be in a better position to plan and monitor the various activities conducted in specific regions and to harmonize the efforts of countries in the same region or subregion. At the same time, the regional components were a response to requests from various donor Governments who wished their contributions to be spent in particular countries and regions.

23. The UNODC Regional Office for the Middle East and North Africa in Cairo has taken the lead in this activity and has, jointly with UNODC, developed a regional action plan on combating terrorism, taking into full account regional specificities and needs. Specifically, the regional action plan foresees: (a) provision of substantive legal advice on the ratification of the international instruments related to terrorism and on the incorporation of relevant provisions into domestic legislation; (b) support for the legislative adoption of the new provisions against terrorism; (c) training for criminal justice officials in the effective implementation of national legislation; (d) support for effective participation in international cooperation in the regional and global context; and (e) support for promoting public awareness of the counter-terrorism instruments and counter-terrorism issues in general. The plan builds upon counter-terrorism work conducted by UNODC in the region in 2004.

24. Together with the Inter-American Committee against Terrorism (CICTE) of the Organization of American States (OAS) and the Latin American Institute for the Prevention of Crime and the Treatment of Offenders, UNODC has conceptualized a set of regional activities aimed at strengthening regional cooperation through the ratification and implementation of the universal instruments related to terrorism, the United Nations Convention against Transnational Organized Crime and the United Nations Convention against Corruption. A series of expert workshops have been conducted on the drafting of legislation and implementation of the universal instruments related to terrorism and the Inter-American Convention against Terrorism (A/56/1002-S/2002/745, annex).

25. Specific progress at the subregional level can also be seen with regard to the French-speaking countries of Africa. Ministers of the French-speaking countries of Africa[5] met at a regional ministerial conference of French-speaking countries of Africa for the promotion of ratification of the Organized Crime Convention and the protocols thereto in Cairo from 2 to 4 September 2003 and at a further regional ministerial conference for the promotion of the ratification and implementation of the United Nations conventions on combating terrorism, corruption and transnational organized crime and of the universal instruments related to terrorism, held in Port Louis from 25 to 27 October 2004. The conferences were organized by UNODC, the Intergovernmental Agency of la Francophonie and the Governments of Egypt and Mauritius, respectively. The outcomes of the two meetings appear in the

Cairo Declaration (A/C.3/58/4, annex) and in the Port Louis Declaration (A/59/811, annex I). Further, in the year between the two conferences, UNODC followed up with bilateral technical cooperation and legal assistance to 11 countries[6] to better enable them to become parties to and implement the universal instruments related to terrorism and transnational organized crime. A major increase — almost 50 per cent — in additional ratifications of the universal instruments related to terrorism between the first and the second ministerial meetings shows the commitments made by Governments. Plans are also under way to initiate other subregional initiatives in support of French-speaking countries of Africa.

26. Specific attention was also paid to the needs of the Portuguese-speaking African countries. Together with the Ministry of Justice of Portugal, UNODC organized the second study tour for Portuguese-speaking African countries to Lisbon from 2 to 5 November 2004 in an effort to familiarize the participating countries with the requirements for ratification and implementation of the universal instruments related to terrorism, the Organized Crime Convention and the Convention against Corruption. A subregional workshop on the ratification and implementation of the universal instruments related to terrorism, the Organized Crime Convention and the Convention against Corruption, as well as on the drafting of reports to the Counter-Terrorism Committee, was conducted in Praia from 8 to 10 December 2004, organized in cooperation with the Government of Cape Verde.

27. UNODC has also intensified its technical cooperation activities with the countries of the Commonwealth of Independent States (CIS) and Central Asia. UNODC experts commented at length on a CIS Model Law on Terrorism that had been adopted by the Interparliamentary Assembly of Member Nations of CIS in December 2004. Belarus, Tajikistan and Turkmenistan, after having received technical assistance from UNODC in the form of bilateral assistance missions conducted in 2003 and 2004, have become parties to all the universal instruments related to terrorism.

28. The Expert Workshop on International Cooperation on Counter-Terrorism, Corruption and the Fight against Transnational Crime was held in Zagreb from 7 to 9 March 2005. The Workshop brought together representatives of countries in the region and regional and international organizations and resulted in the adoption of the Zagreb Declaration on International Cooperation on Counter-Terrorism, Corruption and the Fight against Transnational Organized Crime (A/59/754-S/2005/197, annex).

29. With regard to Asia and the Pacific, UNODC has been actively involved in the Bali Process on People Smuggling, Trafficking in Persons and Related Transnational Crime and has structured its assistance in line with the priorities determined under it by providing advice and by participating in a number of regional and subregional meetings.

30. Furthermore, activities against terrorism have also been implemented jointly by different parts of UNODC, in particular the Terrorism Prevention Branch, the Treaty and Legal Affairs Branch and the Anti-Money-Laundering Unit.

B. Enhanced action through presence in the field and working in partnership

31. In order to support the implementation of UNODC activities in the field, regional-level experts have been identified and based in a number of strategic geographical locations to carry out on-the-ground follow-up activities. The experts met in Vienna from 7 to 11 February 2005 in order to be briefed on the activities of UNODC and its approach to technical assistance. The meeting provided the experts with a platform to exchange experience and knowledge.

32. The creation of advisory panels for geographical regions and legal systems to review proposed legislative solutions and provide specific input appropriate to the region's particular historical and legal traditions and jurisprudence, as well as the placement of mentors to provide longer-term in-depth follow-up, is also envisaged.

33. UNODC made further progress towards maximizing impact through operational partnerships and avoiding duplication of efforts. To that end, technical assistance activities were undertaken in close partnership and cooperation with numerous international, regional and subregional organizations, such as the Organization of American States, the Organization for Security and Cooperation in Europe (OSCE), the Commonwealth Secretariat, the Intergovernmental Agency of la Francophonie, the Economic Community of West African States, the Economic Community of Central African States, the International Civil Aviation Organization and the International Criminal Police Organization (Interpol). Several legislative advisory activities were conducted with the International Monetary Fund (IMF) and the World Bank. The assessments were conducted under the joint methodology for evaluating compliance, developed by the Financial Action Task Force on Money Laundering (FATF), IMF and the World Bank.

34. UNODC also contributes to the component of the Secretary-General's counter-terrorism strategy dealing with the defence of human rights in the struggle against terrorism. In carrying out its technical assistance activities, UNODC works to ensure that all activities are carried out in full respect of international law, including international human rights law, refugee law and humanitarian law. Moreover, UNODC has established and maintains regular working contacts with the Office of the United Nations High Commissioner for Human Rights, as UNODC's partner for implementing programme activities related to the rule of law and terrorism, as well as with the Office for Democratic Institutions and Human Rights of OSCE, with which it has worked as a partner in delivering technical assistance. UNODC is committed to working with such organizations and is exploring further opportunities to reinforce the arrangements with them in future operational activities.

35. UNODC has made substantive and technical presentations in a variety of national, regional and international forums, including those organized by the Counter-Terrorism Committee, the Counter-Terrorism Action Group of the Group of Eight, the Working Party on Terrorism of the Council of the European Union, OSCE, the Belgian Senate, as well as to government representatives and non-governmental organizations.

36. As a follow-up to the special meeting organized by the Counter-Terrorism Committee on 6 March 2003, OSCE, in cooperation with UNODC, hosted a meeting of international, regional and subregional organizations in Vienna on 11 and

12 March 2004. The proceedings of the meeting have been collected in an OSCE/UNODC publication under the overall theme "Strengthening cooperation against international terrorism", which was distributed during the Eleventh Congress. In addition, UNODC participates in the biannual follow-up meetings, including that held in Almaty in January 2005.

37. UNODC also worked in close coordination with the Office of Legal Affairs of the Secretariat, which provided relevant advice and substantive elements related to the development of technical assistance tools by UNODC. Further, UNODC has engaged in discussions with the Security Council Committee established pursuant to resolution 1267 (1999) of 15 October 1999 concerning Al-Qaida and the Taliban and associated individuals and entities, as well as with the Security Council Working Group established pursuant to resolution 1566 (2004) of 8 October 2004, on how UNODC activities could support the work of the two bodies, in particular concerning the criminal justice aspects of their work and more specifically issues related to victims of terrorism.

38. In order to ensure transparency, UNODC continued its practice of providing, on a periodic basis, detailed briefings to Member States on progress made in programme delivery. A brochure reflecting the work of UNODC has been regularly updated and is available online (http://www.unodc.org/pdf/brochure_gpt_may2004%20.pdf). The Branch further continued to produce and disseminate to relevant agencies and organizations, on a monthly basis, a matrix of its ongoing and planned technical assistance activities per country and region. An issue of the journal *Forum on Crime and Society* devoted to terrorism will be published in late 2005.

C. Technical assistance tools

39. In order to carry out its technical cooperation activities effectively, UNODC has developed a variety of technical assistance tools, based on best practices identified by international experts. These serve to assist in the training of judicial and prosecutorial personnel in the proper implementation of universal conventions and protocols.

40. Pursuant to General Assembly resolution 58/136 of 22 December 2003, UNODC has prepared guidelines according to which assistance would be provided to promote the ratification of, accession to and implementation of the universal conventions and protocols and to identify specific elements of such assistance with a view to facilitating cooperation among Member States. The guidelines were developed by an expert group that met in Cape Town, South Africa, on 24 and 25 February 2004, and were submitted to the Eleventh Congress and the Commission on Crime Prevention and Criminal Justice at its fourteenth session for further discussion.

41. In the area of international cooperation, UNODC has over the past years prepared a series of specialized manuals and model laws on extradition and mutual legal assistance intended to allow States to make use of the guidance provided in order to prepare bilateral agreements and to draft relevant national legislation against terrorism. UNODC and the International Institute of Higher Studies in Criminal Sciences organized in Siracusa, Italy, from 29 November to 3 December

2004 an expert group meeting to review a draft model law on mutual legal assistance in criminal matters, which will provide a solid legal framework for international cooperation against terrorism. The group also reviewed a hypothetical extradition case for future use as a case study in UNODC training programmes on extradition.

42. As a further means of enhancing the implementation of the universal instruments, the Office is finalizing a guide for the legislative incorporation and implementation of the universal instruments related to terrorism. The draft guide goes further than the *Legislative Guide to the Universal Anti-Terrorism Conventions and Protocols*,[7] as it takes into account other obligations of States under international law, such as principles of human rights. It also provides an in-depth analysis of international cooperation, which is regarded as an integral part of legal measures against terrorism, and proposes a broad range of options and examples that national legislators can examine when incorporating new counter-terrorism measures into their national legislation. The *Guide* was distributed in the six official languages of the United Nations during the Eleventh Congress and was also submitted to the Commission on Crime Prevention and Criminal Justice.

43. To complement this work, the Office has prepared a *Compendium of Legal Instruments and Useful Technical Assistance Tools to Prevent Terrorism and Other Related Forms of Crime*. The *Compendium*, which lists, inter alia, relevant legislative guides, model laws, manuals and implementation tools relating to terrorism and other related crimes is available on the Internet (http://137.82.153.100/Site%20Map/compendium/Compendium/index.htm) and as a CD-ROM.

44. In the year under review, UNODC has further developed its legislative database, which is used as an in-house tool to support the delivery of technical assistance. It contains the analysed and categorized counter-terrorism legislation of over 135 countries, a selected bibliography on terrorism, as well as the jurisprudence of international courts on terrorism, and a range of technical cooperation tools. In order to further enhance the comprehensiveness of the database, the Office would welcome being provided with examples of national legislation effectively implementing the penalization, jurisdiction or international cooperation obligations of the universal instruments related to terrorism, as well as of problems that may arise in legislative drafting or application.

D. Assessing impact and measuring results

45. The impact of UNODC programme activities, which seek to promote legislative change and international cooperation, can only be measured over an extended period of time. Though influenced by the Governments concerned, that impact will be evident in the increased level of compliance by those countries assisted by UNODC with the provisions of Security Council resolution 1373 (2001) and the universal legal instruments related to terrorism. Since January 2003, when the global project on strengthening the legal regime against terrorism became operational, the Terrorism Prevention Branch has provided 60 countries with draft legislative amendments, legislative advice or complete counter-terrorism legislation. It has supported 108 countries, either directly through bilateral missions or

indirectly through regional workshops, in ratifying and implementing the 12 universal legal instruments against terrorism; over 1,000 national officials have received in-depth substantive briefing or training. Available information indicates that the assisted countries have undertaken more than 200 new ratifications of the 12 universal instruments related to terrorism, while 22 States have either passed new counter-terrorism legislation or are drafting legislation.

46. UNODC has conducted workshops to provide support to countries, at their request, in completing their reporting requirements to the Counter-Terrorism Committee. The work of the Office has resulted in an increased level of awareness among the relevant government officials of their countries' obligations under the legal instruments and the increased action at the national level to meet those obligations, especially with respect to international cooperation. UNODC will continue to evaluate carefully the results and impact of its work to ensure that it contributes to the Secretary-General's comprehensive strategy to prevent terrorism.

E. Resources

47. The resources of the Terrorism Prevention Branch are derived from the United Nations regular budget as approved by the General Assembly and from voluntary contributions by Member States. The regular budget includes an annual provision of approximately $900,000, mainly covering seven staff positions, with small allocations for expert groups, consultants and travel.

48. UNODC technical assistance activities are financed from voluntary contributions from donor countries, which have been steadily increasing, reflecting growing confidence in effective programme delivery. Contributions to the United Nations Crime Prevention and Criminal Justice Fund for technical assistance projects in the field of terrorism prevention as at 30 June 2005 are shown in the table below.

Contributions to the United Nations Crime Prevention and Criminal Justice Fund for technical assistance projects of the Terrorism Prevention Branch, for 2002 and before to 2005, as at 30 June 2005
(United States dollars)

Donor	*Total amount*	*2002 and before*	*2003*	*2004*	*2005*
Austria	**1 084 474**	308 507	730 689		45 278
Canada	**121 442**			47 071	74 371
Denmark	**181 737**				181 737
France	**493 883**		247 578	246 305	
Germany	**419 090**		162 690	256 400	
Italy	**1 440 782**	263 259	271 150	306 373	600 000
Japan	**30 000**	30 000			
Netherlands	**4 720**		4 720		
Norway	**442 478**			442 478	
Spain	**156 576**		156 576		

Donor	*Total amount*	*2002 and before*	*2003*	*2004*	*2005*
Sweden	**491 344**				491 344
Turkey	**95 170**	45 170		50 000	
United Kingdom of Great Britain and Northern Ireland	**690 146**			478 000	212 146
United States of America	**480 000**	230 000		250 000	
Total	**6 131 842**	**876 936**	**1 573 403**	**2 076 627**	**1 604 876**

IV. Summary of responses received from Member States

49. By a note verbale dated 23 February 2005, the Secretariat invited Member States to provide the Secretary-General with information on their efforts to implement General Assembly resolution 59/153. As at 30 June 2005, the following 21 countries had responded: Algeria, Australia, Austria, Costa Rica, Czech Republic, Egypt, Haiti, Hungary, Japan, Kuwait, Latvia, Malta, Mauritius, Mexico, Morocco, Netherlands, Peru, Qatar, Serbia and Montenegro, Tunisia and Turkey. Such information is useful in understanding the needs of Member States and thus serves UNODC in assisting requesting States in developing their capacity to prevent terrorism, in accordance with the Secretary-General's comprehensive counter-terrorism strategy.

50. Most of the States responding reported on both preventive and punitive measures taken by their Governments against terrorism.

51. Most respondents provided information on the status of ratification of the universal instruments related to terrorism and many also on the relevant provisions in their domestic legislation dealing with terrorist crimes. Among the specific terrorist activities addressed were, for example, the incitement to commit terrorist acts, hostage-taking and the prevention and combating of smuggling of radioactive sources. Several States had included a definition of terrorism in their respective penal codes and provided that definition to the Secretariat. Most States treated terrorist acts as serious crimes in their legislation and also criminalized preparatory acts committed by terrorist organizations.

52. Some States reported on the role and functions of recently established specialized national coordinating structures against terrorism and other serious crimes.

53. Several States noted their compliance with the revised Forty Recommendations of the Financial Action Task Force on Money Laundering and its nine special recommendations on terrorist financing. Governments had made efforts in particular to criminalize the financing of terrorism. Some reported that they had introduced new legislation to combat money-laundering or were in the process of doing so. The confiscation of assets of those who supported or financed terrorism was highlighted in many responses as an important measure to prevent and combat

terrorism. Several States reported on their actions in response to Security Council resolutions 1267 (1999), 1333 (2000) of 19 December 2000, 1363 (2001) of 30 July 2001, 1390 (2002) of 16 January 2002, 1455 (2003) of 17 January 2003 and 1526 (2004) of 30 January 2004 concerning Al-Qaida and the Taliban (and associated individuals and entities).

54. Many States reported on their obligations as parties to international and regional conventions, as well as their existing bilateral extradition and mutual legal assistance agreements. Others reported on their practice of using multilateral treaties as a basis for extradition and mutual legal assistance. Some described their national legislation on extradition and mutual legal assistance.

55. In the context of joint action against terrorism, many responding States referred to cooperation with regional and international organizations, such as the Council of Europe, the Pacific Islands Forum, the Association of Southeast Asian Nations, the European Union, CICTE/OAS, OSCE, the North Atlantic Treaty Organization, CIS, GUUAM, the League of Arab States, the Southeast European Cooperative Initiative, the Black Sea Economic Cooperation Organization and IMF.

56. Some States described programmes in the areas of law enforcement and judicial training. Others referred to specific training courses, conferences and symposiums related to combating terrorism, including those organized by the African Institute for the Prevention of Crime and the Treatment of Offenders and the Latin American Institute for the Prevention of Crime and the Treatment of Offenders.

V. Conclusions and recommendations

57. The main focus of the activities conducted by UNODC in the area of terrorism prevention in the year under review was the provision of assistance to requesting States for the ratification and legislative incorporation of the universal instruments related to terrorism. UNODC will continue to provide such assistance to States, upon request, as a matter of priority.

58. UNODC has reinforced the provision of assistance to States in reviewing and revising national legislation against terrorism and at the same time special efforts have been made to undertake qualitative follow-up.

59. Having reached a considerable number of countries through first-stage regional, subregional and bilateral assistance activities, the work of the Office will focus more and more on follow-up activities. The capacity to provide such in-depth implementation assistance will be strengthened through increased representation at the country and subregional levels, by: (a) placing experts in the field; (b) involving the UNODC field offices; and (c) actively seeking partnerships.

60. By utilizing its specialized expertise and comparative advantages, as well as by fostering and strengthening both inter-agency and intra-agency partnerships, UNODC makes a substantive contribution to the global effort against terrorism and more specifically to the Secretary-General's comprehensive global strategy against terrorism.

61. Upholding the rule of law, building viable criminal justice systems and strengthening international cooperation against terrorism are important components in a comprehensive response against international terrorism, both at the national and the global level. UNODC should reinforce its work in this area as far as it relates to the ratification and implementation of the universal instruments related to terrorism. In that regard, UNODC should also begin similar work on the recently adopted international instrument, the International Convention for the Suppression of Acts of Nuclear Terrorism (General Assembly resolution 59/290, annex), in consultation with the International Atomic Energy Agency.

62. In its resolution 59/153, the General Assembly expressed its appreciation to donor countries for their voluntary contributions to the United Nations Crime Prevention and Criminal Justice Fund, and invited all Member States to make voluntary contributions to the Fund in order to allow UNODC to provide technical assistance to requesting Member States. Donor countries have indeed provided increased voluntary contributions for UNODC counter-terrorism work, almost doubling the extrabudgetary resources received or pledged at the time of last year's request. At the same time, it is important to be aware that the current resource level is still inadequate to meet the increasing requests for assistance and the corresponding growth in operational activities and substantive initiatives for the ratification and implementation of the universal instruments related to terrorism and the consequent reinforcement of international cooperation. Increased voluntary contributions by donors and cost-sharing arrangements with assisted countries are therefore vital, as are joint initiatives and partnerships with other relevant organizations.

Notes

[1] See the report of the Eleventh United Nations Congress on Crime Prevention and Criminal Justice (A/CONF.203/18).

[2] Ibid., chap. I, resolution 1.

[3] See *Official Records of the Economic and Social Council, 2005, Supplement No. 10* (E/2005/30), chap. I, draft resolution VI.

[4] Afghanistan, Cambodia, Chad, Costa Rica, Djibouti, Ecuador, El Salvador, Ethiopia, Gambia, Kuwait, Nicaragua, Madagascar, Paraguay, Philippines, Republic of the Congo, Sierra Leone, Thailand, Togo, Turkmenistan, United Arab Emirates, Uzbekistan and Viet Nam.

[5] Benin, Burkina Faso, Cameroon, Central African Republic, Chad, Côte d'Ivoire, Democratic Republic of the Congo, Egypt, Gabon, Guinea, Guinea-Bissau, Mauritania, Mauritius, Morocco, Niger, Republic of the Congo, Rwanda, Sao Tome and Principe, Senegal and Togo.

[6] Cape Verde (11-16 November 2003), Central African Republic (9-14 February 2004), Guinea (3-7 May 2004), Chad (6-10 June 2004), the Republic of the Congo (5-9 July 2004), Togo (2-5 August 2004), Morocco (4-6 October 2004), Burkina Faso (25-28 November 2003), Rwanda (25-28 November 2003), Cameroon (25-28 November 2003), Gabon (25-28 November 2003).

[7] United Nations publication, Sales No. E.04.V.7.